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Research Report

German Central Asia policy after the "Zeitenwende": Challenges and opportunities for a strategic partnership

SWP Comment, No. 35/2024

Provided in Cooperation with:

Stiftung Wissenschaft und Politik (SWP), German Institute for International and Security Affairs,
Berlin

Suggested Citation: Huterer, Manfred; Pepe, Jacopo Maria; Schmitz, Andrea (2024) : German Central Asia policy after the "Zeitenwende": Challenges and opportunities for a strategic partnership, SWP Comment, No. 35/2024, Stiftung Wissenschaft und Politik (SWP), Berlin,
<https://doi.org/10.18449/2024C35>

This Version is available at:

<https://hdl.handle.net/10419/302133>

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SWP Comment

NO. 35 AUGUST 2024

German Central Asia Policy after the “Zeitenwende”

Challenges and Opportunities for a Strategic Partnership

Manfred Huterer, Jacopo Maria Pepe and Andrea Schmitz

Russia's war against Ukraine and the geopolitical shifts on the Eurasian continent have brought Central Asia back into the focus of Germany and the EU. Germany's strategic regional partnership with Central Asia, which was announced last autumn, offers promising potential for cooperation. However, deepening sectoral cooperation is associated with challenges that require a realistic assessment of the individual areas of engagement. Precise context analyses are essential to avoid misperceptions and false expectations. Germany's involvement should be long-term and primarily aim to strengthen the crisis resilience of the Central Asian countries. A key pre-requisite for this is support for intra-regional cooperation, particularly in logistics, electricity infrastructure and water management.

Since 2007, Germany has played a driving role in the conceptualization of relations between the EU and Central Asia – a region that had previously been of little relevance to the EU's external relations. The first EU Central Asia Strategy was launched that year under the German Council Presidency. In 2019, this document was replaced by a new strategy – also on Germany's initiative. As a result of the Russian attack on Ukraine and the global upheavals caused by that war, relations between Central Asia and the EU have become more important – not only for Europeans, but also for the countries in the region. The latter take a distanced, neutral stance in relation to the war, but also see Russia's neo-imperialism as a latent threat to their own independ-

ence and offer themselves as partners within the framework of a policy that, like Germany's, focuses on economic and political diversification.

The 5+1 summit with Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan, which took place in Berlin in September 2023 at the invitation of the German Federal Chancellor, highlighted Central Asia's new importance for Germany. In a joint declaration, the countries agreed to establish a strategic regional partnership. This would be Germany's first strategic partnership with a major region, and it would focus on four areas of action:

- the economy, energy, natural resources
- regional cooperation and resilience
- the environment and climate



- civil society contacts

This declaration of intent signals Germany's special commitment in and to Central Asia. It is to be underpinned by the follow-up meeting in the 5+1 format in Astana, planned for September 2024, and by bilateral visits by the Federal Chancellor to Uzbekistan and Kazakhstan, which will precede the summit.

Germany's involvement is embedded in intensive efforts to strengthen relations at EU level. While before 2022 it was primarily the Commission that drove Central Asia policy, recently the Council and the member states have been playing a more active role in shaping relations. In June 2023, the President of the European Council, Charles Michel, met with the Central Asian presidents in Kyrgyzstan. They agreed to draw up a roadmap for expanded cooperation, which was adopted in October 2023 at a meeting of the 27 EU foreign ministers with their Central Asian counterparts in Brussels. In early 2024, the European Parliament called for an update of the 2019 Central Asia Strategy. In addition to Germany, other EU member states have also become more active in Central Asia, particularly France, Italy and Hungary.

Germany and the EU are increasingly interested in a region that is also facing new challenges. Russia's imperial ambitions, as expressed in the war against Ukraine, Moscow's break with the West and its growing technological and political competition with China are threatening the time-tested "multi-vectoral" foreign policy of the Central Asian states, which is geared towards maximum autonomy and scope of action. Other factors, in turn, suggest that the countries in the region are gradually transforming their (commodities-based) economic model. These include the acute consequences of climate change, the issue of energy security and the need for economic, industrial and socio-economic development. As a result of these challenges, interest in closer cooperation with the EU, particularly with Germany, has also grown on the Central Asian side.

Europe's and the region's expectations and priorities admittedly do not coincide in all areas. Firstly, this applies to dealing with the regional powers Russia and China. Both have a major influence on political and economic decisions in Central Asia and are the primary vectors that will continue to guide regional policy in the future. A second divergence concerns the speed and depth of the energy transition where climate policy, economic modernization and security of energy supply enter into conflict. Thirdly, the respective expectations of sectoral cooperation are unequal. There is great potential here, but also a number of obstacles of a physical, infrastructural, financial and political nature. It is important for the EU to keep this initial situation in mind when collaborating with Central Asian partners.

Central Asia's Geopolitical Baseline

Maximizing strategic autonomy has always been a priority foreign policy goal for the Central Asian states. This has become even more important with Russia's war against Ukraine. China's enormous economic influence, in turn, has strengthened endeavours to diversify foreign relations in Central Asia. If the Central Asian states want to gain weight and be heard in the emerging multipolar world order, they must strengthen their technological, industrial and geopolitical independence. This does not necessarily imply decoupling from Russia and China, but rather spreading risk through the addition (not substitution) of partners.

In fact, both powers will remain the key partners of the Central Asian states for the foreseeable future. The region remains closely intertwined with Russia, both economically and politically. Kazakhstan, Kyrgyzstan and Tajikistan are integrated into regional organizations dominated by Moscow: the Eurasian Economic Union (Kazakhstan, Kyrgyzstan) and the Collective Security Treaty Organization (Kazakhstan,

Kyrgyzstan, Tajikistan). Central Asia has become even more important for Russia economically and politically since the latter's economic relations with the West have collapsed. This can be seen, for example, in the fact that President Putin chose Uzbekistan as the destination of his third state visit — after China and Belarus — following his inauguration in May 2024. At the same time, Moscow has effective means of exerting pressure on Central Asia. These relate to the transport links between Kazakhstan and Europe, which run through Russia, as well as Russia's importance as a labour market for Central Asian guest workers. Furthermore, Kazakhstan and Uzbekistan in particular depend on Russian gas supplies to meet growing domestic demand and fulfil export obligations to China. In addition, Russia will build the first nuclear power plant in Uzbekistan.

To balance Moscow's influence, the states in the region have been open to cooperation with China since the late 1990s. On the one hand, the People's Republic is concerned with security and stability on its Western border (especially in the province of Xinjiang), and on the other hand with opening up sales markets and securing energy imports as part of the Belt and Road Initiative. China's trade volume with the Central Asian states increased by 27 per cent between 2022 and 2023. The People's Republic is now the most important trading partner for Kazakhstan and Uzbekistan. Unlike Turkmenistan, Tajikistan and Kyrgyzstan, these two countries have at least managed to balance out their dependence on China to some extent through economic relations with other countries. The People's Republic is particularly attractive as a partner for Kazakhstan and Uzbekistan, not least because it has been investing in the development of infrastructure and the exploration of fossil fuels while also supplementing this with renewable energy projects since 2018.

The ongoing economic dependencies on Russia, the growing dominance of Chinese companies and the increasing use of Chinese technology and expertise also bind the

Central Asian states politically. Against this backdrop, their relations with Germany (and the EU) are intended to gain more economic and political negotiating power vis-à-vis their large neighbours. However, relations with other players present in the region, above all Türkiye, Iran and the Gulf States, as well as India and South Korea, also fulfil the same function. For the Central Asian states, maintaining dialogue with a broad spectrum of partners is not just a means to the end of economic diversification. Rather, they are concerned with preserving the "multipolar" diversity of the region and avoiding the risks of a bipolar bloc formation. However, this also means that Central Asia is not seeking a privileged relationship with Germany and the EU. With this in mind, German and European efforts to win the support of regional states for Western sanctions against Russia must be measured against the realities on the ground.

This complex initial situation must be taken into account when implementing the announced regional partnership. This means first and foremost focusing on those areas of action that are just as important for Central Asia as they are for Germany. These include geoeconomic diversification — particularly in green energies and industries, critical raw materials and transport routes — and combating climate change. Here, too, it is important to identify interests that do not coincide, to recognize realities and to balance expectations.

Combating Climate Change

Efforts to combat global climate change and achieve the goals of the Paris Agreement are an important area of cooperation between Germany, the EU and Central Asia. Within the framework of international commitments and European plans, Germany is striving to play a pioneering role here — both in Europe and worldwide — and is developing an ambitious foreign climate policy. The effects of climate change are already dramatic in Central

Asia. According to the World Bank, the region will be increasingly exposed to droughts and flooding, with serious economic and social consequences. As elsewhere, climate change will exacerbate existing economic and environmental problems, especially the availability of water, which affects the entire region.

All Central Asian countries are signatories to the Paris Agreement and have announced decarbonization targets. They have also been promoting renewable energies since 2018. Most countries in the region have launched at least some kind of green economy strategy or programme to increase the efficiency of resource use and reduce greenhouse gas emissions. Against this backdrop, Uzbekistan and Kazakhstan in particular have been stepping up their efforts to fulfil their national commitments for several years. Germany is already involving Central Asia in global climate policy at bilateral and multilateral level – through initiatives such as “Green Central Asia” or the raw materials partnership with Kazakhstan and (prospectively) also with Uzbekistan.

However, it is important to bear in mind that the fight against energy poverty and for access to energy is crucial in the region. Hence, for the time being, Central Asian decision-makers will prioritize security of supply, the preservation of their own export-oriented and commodities-based economic model and the diversification and expansion of their own industries over strict climate targets and ambitious plans to reduce emissions.

(Geo)economic Diversification

Germany and Central Asia share a fundamental interest in economic and geo-economic diversification to promote geopolitical autonomy and combat climate change. However, there are also divergent objectives and practical challenges in this field that need to be addressed for Germany and the EU to realize the potential for cooperation.

Opportunities for cooperation are particularly pronounced in green energy and industry. Germany and the EU are dependent on the import of green electricity and green hydrogen in the medium to long term. Central Asia, on the other hand, has significant resources of wind and solar energy. Uzbekistan and Kazakhstan in particular are planning to systematically expand the share of renewable energies. Cooperation with Germany, including on hydrogen, is already taking place in bilateral partnerships. Decarbonization remains a declared goal and a necessity for the Central Asian states. However, a transition to clean energy in the region is only realistic in the long term. The share of renewable energies in the regional energy mix is still extremely low. The top priority in Central Asia is securing fossil energy supplies so that export obligations and rising domestic demand can be met. Renewable energies are being included in the energy mix primarily to strengthen energy security, acquire technology and industries and open up further export markets and sectors.

However, renewable energy expansion requires the expansion, reactivation and stability of the transregional power grid CAPS (Central Asian Power System), as well as the resolution of water conflicts. The CAPS infrastructure is not only outdated, but also insufficiently developed and networked. Access to water is very unevenly distributed in the region, and resource management is inadequate.

Regarding critical raw materials, Central Asia has significant reserves of strategic minerals such as manganese, titanium, copper, cobalt and lithium. Kazakhstan and Uzbekistan in particular have enormous potential here. Both countries are striving to optimize their marketing and profitable cooperation and are interested in expanding local vertical integration and refinement.

Germany and the EU already have a raw materials partnership with Kazakhstan, and Brussels has agreed to a corresponding memorandum of understanding with Uzbekistan. However, there are hurdles to

greater German and European involvement in the sector, such as the structural weaknesses of the German and European mining industry and the strong presence of other external players in Central Asian mining. The same is true for new green industrial products such as solar panels, wind turbines, electrolyzers and batteries for electric cars. They harbour great potential for co-operation, but China and other players (such as the Gulf States) are also strongly represented in these products in the region.

In the transport sector, the Middle Corridor between Central Asia, China and the EU, which runs across the Caspian Sea and the Caucasus, has become particularly important for transporting (industrial) goods, fossil energy resources and, in the long term, green energy to Europe. EU initiatives such as Global Gateway, the agreement between Azerbaijan, Georgia and Kazakhstan to expand the Middle Corridor and the agreement between Azerbaijan, Kazakhstan and Uzbekistan to export green electricity are showing initial political success. However, the corridor is underdeveloped in terms of infrastructure and is still dysfunctional in terms of logistics and tariffs. Under current conditions, an increase in transcontinental and regional transport volumes – for container transport, green energy and hydrogen (products) – would overload it. This was evident in 2023, when an increase merely in transcontinental container traffic led to a decline in freight transit due to logistical and infrastructural bottlenecks. Interest asymmetries are also becoming apparent: Germany would like to bypass Russia and Iran if new transport routes are opened up, while Central Asia aims to expand diverse routes in all directions. Interest in the Middle Corridor also varies greatly within Central Asia. It is particularly important for Kazakhstan, whereas Uzbekistan is more focused on developing corridors to Afghanistan and China.

Whether and to what extent it is possible to transform overlapping interests in the individual sectors into cooperation that benefits all parties involved depends on the

respective strategic priorities of the relevant players. More than that, the political dynamics in the region itself play a decisive role. Intra-regional co-operation is particularly important in this context.

Dynamics of Regional Co-operation

Inter-state cooperation in Central Asia was long overshadowed by Russia's hegemonic policy, which still occupies a special position in the former Soviet hinterland. However, the fact that intra-regional cooperation was not institutionalized more strongly was also due to the conflict-ridden relations between the Central Asian states. This changed when the new Uzbek President Shavkat Mirziyoyev took office in 2016. The development of regional relations gained speed. Russia's attack on Ukraine accelerated the momentum. In July 2022, the five Central Asian presidents met in Cholpon-Ata, Kyrgyzstan, where they adopted a roadmap for regional cooperation. Since then, there has been an intensification of meetings and consultations as well as attempts at institutionalization. In September 2023, for example, a Coordination Council was established when the five states held a summit in the Tajik capital of Dushanbe.

The main impetus for closer cooperation comes from the regional heavyweights Uzbekistan and Kazakhstan, which upgraded their bilateral relations in December 2022 through an alliance agreement. On Uzbekistan's initiative, the notorious border conflicts with Tajikistan were largely resolved and the delimitation of the Uzbek-Kyrgyz border was finalized.

However, despite all the progress made, numerous obstacles continue to hinder regional cooperation. These include the very unequal economic development and resource endowments of the five countries, still unresolved border conflicts between Tajikistan and Kyrgyzstan, conflicting interests in water utilization, ongoing connectivity problems and trade barriers due to different customs systems. These factors stand

in the way of the development of regional value chains and their global integration, particularly in the key sectors of energy, water and transport.

Overall, the internal cooperation processes present an ambivalent picture. An independent regional identity has not yet emerged, but the five governments are aware that increased cooperation within Central Asia is also a prerequisite for acting with a higher profile externally. The fact that they are striving for the latter can be seen in their endeavours to appear together in external relations, for example in 5+1 formats and at global conferences.

Recommendations for Action for Germany's Central Asia Policy

Both Germany and Central Asian countries can benefit from a strategic regional partnership. In particular, the fight against climate change and (geo)economic diversification in key sectors such as (green) energies, industries and technologies, transport and critical raw materials offer ideal areas of action to further develop bilateral relations and strengthen intra-regional cooperation.

It is important to recognize that the region forms a historical area of connection and competition between Asia, continental Eurasia, the Middle East and Europe, but is increasingly subject to the geoeconomic and geopolitical pull of Greater Asia. For German-Central Asian cooperation, this means setting realistic goals and refraining from excessive expectations. Two factors will continue to determine the course of Central Asian leaders in the future: the influence of Russia and China and the authoritarian nature of the political systems in the five countries. When selecting partners and projects, it is therefore important to examine the context in which the respective engagement takes place. Who are the relevant stakeholders, and what interests are they pursuing? Who makes the decisions? Where do potential conflicts exist, and what is their impact on project design?

Secondly, cooperation should be guided by a strategic outlook. This requires stamina, realism and patience. Germany's and Europe's scope for a sustainable impact in Central Asia is limited, not only because of the geographical distance, but also because political and financial resources on the EU side are reaching their limits. In addition, there is a multitude of actors in Central Asia who influence political decisions. A long-term deepening of relations requires acceptance of the geopolitical reality of Central Asia and the regional priorities. Against this background, the four areas of action outlined in the joint declaration on a regional partnership must be further developed conceptually.

Economy, Energy, Natural Resources

Firstly, Germany's raw materials partnership with Kazakhstan should be supplemented by a similar partnership with Uzbekistan — a step that could also lead to the establishment of a trilateral raw materials, climate and energy partnership. However, a strategic entry of German companies into such a co-operation format is only conceivable and sensible if it is accompanied by political and financial instruments.

Secondly, given the technical and logistical bottlenecks within the region, further significant investments in the physical infrastructure along the Middle Corridor will be necessary. The transfer of knowledge in logistics and the regulatory, legal, physical and tariff harmonization of logistics services must also be improved. For the corridor to operate efficiently, it would make sense to establish an international logistics consortium, especially as German companies have relevant expertise. In addition to Kazakhstan, the South Caucasus and Türkiye should also be included in the considerations.

However, the Middle Corridor will hardly benefit local development if other Central Asian states do not participate. Germany and the EU should therefore — thirdly —

work towards a logistics union within the region, but above all between Uzbekistan and Kazakhstan. The Uzbek-Kazakh industrial and logistics centre on the border between the two countries, which has been proposed by Uzbekistan's President Mirziyoyev and is due to be built soon, could form the basis for such an undertaking. In the future, this centre could be used as a key contact point to offer knowledge transfer and training in the field of integrated supply chain and cross-border management. It could also favour the expansion of logistics corridors to the south and east. For Uzbekistan, this could be an incentive to participate in the Middle Corridor and thus also counteract Russia's potential for obstruction.

Environment and Climate

In this sector, a constructive dialogue has developed between the five Central Asian states in recent years, not least thanks to the "Green Central Asia" project funded by the German government. The Central Asian states now face the challenge of pooling resources and creating a lasting balance of interests on the basis of binding legal agreements.

The long-term goal would be to develop a Central Asian water and energy community. Germany's role could be to support the existing regional dialogue formats and encourage the partners to take an overall view of the water-energy nexus. The same applies to the establishment of initial bilateral and minilateral formats for the management of water resources, which Germany could support in an advisory function. The Central Asian states should also be supported in modernizing and fully commissioning the CAPS power grid, as well as reactivating further interconnectors within the region to strengthen the resilience of the regional power grid. This would also be a key prerequisite for the expansion of green energies and the production of hydrogen.

Regional Cooperation and Resilience

The regional dimension should be strengthened in all sectors of cooperation. The establishment of a German-Central Asian dialogue would enable the exchange of experiences in regional cooperation and a better understanding of federal principles and shared sovereignty.

The Central Asian states' interest in cooperating with Afghanistan should also be used to maintain channels of communication with the Taliban regime. Kazakhstan and, above all, Uzbekistan are de facto already cooperating with the rulers in Kabul in selected areas, as demonstrated by the expansion of their trade relations and Uzbek electricity supplies to Afghanistan. At the same time, Kazakhstan and Uzbekistan see themselves as a possible bridges between the Taliban and the international community. Uzbekistan in particular maintains good relations with countries engaging in Afghanistan (such as China and the Gulf States) and could utilize these contacts even further to the benefit of the international community – for example in matters of humanitarian aid, but also regarding communication with the Taliban regime.

Civil Society Contacts

The fourth area of action of the strategic regional partnership is civil society cooperation. It should be promoted at all levels. The currently planned migration agreement for skilled workers from Uzbekistan, the promotion of language acquisition and more academic exchange would constitute effective instruments. Exhibition projects and other cultural policy initiatives would also be relevant.

In addition, ties between young politicians in Central Asia and Germany should be strengthened. The cross-party exchange of decision-makers offered by the Robert Bosch Foundation, for example, as well as the parliamentary exchange and externships programmes organized by political foundations, could be appropriate instru-



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ISSN (Print) 1861-1761
ISSN (Online) 2747-5107
DOI: 10.18449/2024C35

(English version of
SWP-Aktuell 30/2024)

ments. Town twinning programmes could also be useful.

Lastly, with regards to all areas of action, Germany and the EU must pay more political attention to the region, intensify cooperation and accelerate decision-making processes to make the strategic partnership with Central Asia credible and turn declarations of intent into action. Besides that, it is crucial that the new EU Commission not only implements technocratic programmes, but also provides long-term impetus for the political reorganization of the areas of action. Particularly in transport/connectivity and the economy, it is advisable to interlink the activities of the EU and individual member states through better harmonization and coordination.

It is in Germany's and Europe's interest to maintain the positive momentum with the Central Asian states. Otherwise, Germany and Europe risk losing their already declining geopolitical and geoeconomic influence in this region and missing the opportunity to utilize the Central Asian laboratory of a new multipolar world order for increased international cooperation.

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