

THE DEVELOPMENT OF ECONOMIC RELATIONS BETWEEN NEW UZBEKISTAN AND EUROPEAN COUNTRIES

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Abstract: *Since 2017, Uzbekistan has made significant progress in changing its economy and society. The government is now moving on to the next stage of economic reforms, which will address fundamental constraints including the lack of factor markets and the government's economic control. For instance, the country's economy was one of the few in Central Asia to escape negative growth in 2020, thanks in part to changes to liberalize pricing and eliminate constraints to local and international trading. Globalization of international economic relations, growth and improvement of economic relations among nations, reduction of trade barriers, and rising interdependence of nation-states are all hallmarks of current world economic development. Uzbekistan's continued inclusion into the global economy is mainly linked to the country's economic reforms and structural development. Foreign economic relations with European member countries have a specific importance in the integration into the global economy.*

Keywords:

Export, Import, economic growth, Gross Domestic Product, Preferential Trade Agreements, Partnership and cooperation agreement, GSP + (Generalized Scheme of Preferences Plus), economic transformation, bilateral partnership relations.

Naturally, the expansion of Uzbek exports and imports to European countries, particularly of processed goods and services must become a key component of the national economy's structural reform and technical modernization, as well as its competitiveness. Despite the fact that the area (as well as Uzbekistan itself) has been neglected for a long time, the EU has surprisingly become the region's top trading partner in 2019, accounting for 24,1 percent of total trade. In this regard, Uzbekistan is continually working to improve its economic relations with the EU27, importing more than they export. Exports accounted for 40 percent of Uzbekistan's GDP in 2004, and foreign trade surplus amounted to nearly one billion U.S. dollars. Relations with European countries have ensured the inflow of substantial financial resources into the country, including into the national budget (*Oec. World/*, n.d.).

During a transition period, Uzbekistan could make a difference in development of the foreign trade relations with Europe. Expansion of the opportunities for access of the private sector including small businesses to the external markets are important issues requiring effective solutions. The country could reduce its dependency from the export of raw materials, vary exports and export markets. In the meantime, there are unaddressed issues facing Uzbekistan, namely, issues related to bilateral trade relations with Europe, or high requirements for the quality of goods, or high share of transportation expenses in relation to the price of goods, or technical barriers in trade – quality requirements, product certification, marking, packaging, phytosanitary measures, and complexity of procedures of market access etc.

In 2019, the trade balance between European nations and Uzbekistan was roughly 2.7 billion euros, with European exports to Uzbekistan heavily weighted. In 2019, Europe purchased 190 million EUR worth of products from Uzbekistan, while exporting 2.4 billion euros. The highest level of recent Uzbek imports to Europe was 359 million euros in 2011. Imports fell to a ten-year low of 169 million euros in 2018. Apart from the imbalance, there is space for Uzbek trading with Europe to expand, especially given the International Labor Organization's (ILO) improving reports on forced labor in the cotton sector in recent years.

Russia, Switzerland, Germany, Spain, the United Kingdom, Turkey, Ukraine, and other European nations are Uzbekistan's main trading European partners, accounting for 54.3 percent of the country's international trade. Within a three-year period, from 2018 to 2020, Uzbekistan could enhance bilateral trading partnership with European member states. However, these partners still have a trade imbalance. Russia is one of Uzbekistan's

most important commercial partners, accounting for 15.7 percent of total exports and imports, or USD 6.6 billion. In addition, Switzerland sold 148 million USD to Uzbekistan in 2019. Packaged Medicaments (37.7 million USD), Textile Fiber Machinery (33.3 million USD), and Harvesting Machinery (17.4 million USD) were the top three items shipped from Switzerland to Uzbekistan. Switzerland's exports to Uzbekistan have climbed at a yearly rate of 9.96 percent over the previous 24 years, from 15.1 million USD in 1995 to 148 million USD in 2019. Uzbekistan exported 2.61 billion USD to Switzerland in 2019. Uzbekistan's biggest exports to Switzerland were gold (2.59 billion USD), platinum (19.6 million USD), and recovered paper pulp (1.24 million USD). Uzbekistan's exports to Switzerland have increased at an annual rate of 28.6% during the previous 24 years, from 6.27 million USD in 1995 to 2.61 billion USD in 2019. Machines (73.4 million USD), Chemical Products (47.2 million USD), and Instruments (13.1 million USD) were among the exports to Uzbekistan in 2019. Uzbekistan exported Precious Metals (2.61 billion USD), Paper Goods (1.25 million USD), and Textiles (430 thousand USD) to Switzerland in 2019 (*Bti-Project.Org*, n.d.).

Germany is one of Uzbekistan's most important trading and economic partners among the other European countries. The Uzbek-German commercial turnover reached 714.3 million USD in 2020, and this figure is anticipated to rise. The two nations' combined financial and technological cooperation totaled 329.9 million EUR. Machinery, plastic, precious metals, textiles, and other items are among the most commonly traded items. Germany is an important technology and investment partner for Uzbekistan (*Auswaertiges-Amt.De*, n.d.). For Uzbekistan, Germany occupies a unique position in terms of economic and cultural engagement in the European Union. The two countries have the most trade facilitation systems in place. The Uzbek-German commercial turnover was 613.2 million USD in 2017, and 712.1 million USD in January-November 2018. This value is predicted to reach one billion EUR in 2019. The two nations' combined financial and technological cooperation totaled 329.9 million EUR.

Austria is seen by Uzbekistan as a long-term and prospective European partner. In a short period of time, economic, scientific, technical, and cultural collaboration between Uzbekistan and Austria has grown. Year after year, economic and trade relations between Uzbekistan and Austria improve. When we look at the trade turnover between the two nations, we can find that it has increased by 75 million USD since 1997. Food, cotton, oil and oil products, chemical products, and other similar things are among the exports from Uzbekistan to Austria. In turn, Uzbekistan imports new types of machines, equipment, and cars from Austria.

In the year 2017, officials from the two countries met for the first time and founded the Turkey-Uzbekistan High-Level Strategic Cooperation Council, which had been in the works for some time. The volume of bilateral trade increased from 1.2 billion USD in 2016 to 2.1 billion USD in 2020 and 3.6 billion USD in 2021. Turkey is one of Uzbekistan's top five trading partners, with annual trade volume likely to approach 5 billion USD (*Eurasian-Research.Org*, n.d.).

The relationship between Uzbekistan and Spain, one of its most prospective European and international partnerships, that are quickly improving. Uzbekistan exported 1.96 million USD to Spain in 2020. Non-Retail Pure Cotton Yarn (504k USD), Other Nuts (423k USD), and Traffic Signals (282k USD) were the top Uzbek exports to Spain. Uzbekistan's exports to Spain have declined by 10.8% annually during the previous 25 years, from 33.8 million USD in 1995 to 1.96 million USD in 2020. In the same year, Uzbekistan imported 52.7 million USD from Spain. Rubber Tires (5.84 million USD), Other Edible Preparations (4.56 million USD), and Navigation Equipment (3.43 million USD) are the top three Spanish exports to Uzbekistan. Spain's exports to Uzbekistan have climbed by 19 percent annually during the previous 25 years, from 687,000 USD in 1995 to 52.7M USD in 2020. (*Oec.World*, n.d.)

Table 1

Dynamics of large European partner-countries in foreign trade Republic of Uzbekistan (in US Dollar)

thousand)

	2018	2019	2020
<i>The Russian Federation</i>			
Export	1,636,681	2,067,207	1,161,766
Import	3,382,752	3,974,225	4,079,758
Balance	-1,746,071	-1,907,018	-2,917,992
<i>Turkey</i>			
Export	865,828	1,149,658	949,066
Import	1,096,622	1,296,689	1,072,526
Balance	-230,794	-147,031	-123,460
<i>Germany</i>			
Export	12,850	18,475	22,389
Import	699,749	884,310	691,915
Balance	-686,899	-865,835	-669,526
<i>United Kingdom</i>			
Export	134,265	93,883	16,971
Import	36,804	62,358	24,671
Balance	97,461	31,525	-7,700
<i>Ukrain</i>			
Export	92,674	108,799	119,322
Import	326,246	263,900	313,607
Balance	-233,572	-155,101	-194,285
<i>Polland</i>			
Export	36,359	39,936	56,759
Import	120,885	121,618	128,880
Balance	-84,526	-81,682	-72,121

Sources: ITC (International Trade Centre) calculations based on The State Committee of Republic of Uzbekistan on statistics.

The following table describes the most traded goods with European countries. As we can see on the table, the main traded products of Uzbekistan to EU and member states are machinery and appliances, mineral products, textiles, ferrous and precious, metals and items made thereof, services of air transportation, products of non-organic chemistry, plastic in initial forms.

Table 2

Total Goods: Top traded Products between Uzbekistan and EU
 (in Million Euro)

RANK EXPORTS

IMPORTS

HS (HARMONIZED SYSTEM) SECTION				
1	Machinery and appliances	456,125	Machinery and appliances	487,467
2	Mineral products	247,894	Products of chemical or allied	369,812
3	Products of chemical or allied in..	209,662	Transport equipment	271,348
4	Transport equipment	128,820	Base metals and articles thereof	103,670
5	Textiles and textile articles	114,752	Optical photographic instruments	100,792
SITC (STANDARD INTERNATIONAL TRADE CLASSIFICATION) SECTIONS				
1	Machinery and transport equipment	585,311	Machinery and transport equipment	759,372
2	Miscellaneous manufactured articles	252,541	Chemicals and related products	411,117
3	Chemicals and related products	232,896	Miscellaneous manufactured articles	227,914
4	Mineral fuels, lubricants and related...	221,936	Manufactured goods classified chiefly	204,121
5	Manufactured goods classified chiefly	191,038	Food and live animals	130,834

Source: Directorate-General for Trade from European Commission.

Uzbekistan has made partnership with the European Union and its member states a cornerstone of its foreign policy since its independence. Uzbekistan is seen as an important partner by the EU and its member states. The Memorandum of Understanding between the Government of Uzbekistan and the European Communities Commission, signed on April 15, 1992, created the legal framework for EU-Uzbekistan cooperation. On November 16, 1994, diplomatic relations were established.

The following multilateral agreements were signed between the EU and Uzbekistan: "The Partnership and Cooperation Agreement establishing partnership between the European Communities and their Member States, on the one hand, and the Republic of Uzbekistan, on the other hand," signed on June 21, 1996 in Florence, Italy; "Interim Agreement on Trade and its Other Supplementary Measures," signed on November 14, 1996 in Brussels; and "Agreement on Trade of Textile Products," signed on November 14, 1996 in Brussels. (the same agreements were signed between the EU and other republics of Central Asia¹); "Agreement on trade of textile products" signed on June 18, 1993 (the same agreements were signed between the EU and other republics of Central Asia²) (Yunusov, 2014).

The PCA, signed during the regular meeting of the member states of the European Union held in the stronghold "Fortezza di Basso" in Florence (Italy) on June 21, 1996, is a major agreement between the Republic of Uzbekistan and the European Communities. The Partnership and Cooperation Agreement was ratified on August 30, 1996, by the 292nd Decree of the Oliy Majlis of the Republic of Uzbekistan. The Agreement entered into force on July 1, 1999, after being adopted by the French Parliament in June 1999. The parties of the Agreement on Partnership and Cooperation. The Republic of Uzbekistan is the primary party of the PCA. It covers all member states of the European Community, as well as European Coal and Steel Community and European Atomic Energy Community. The Republic of Uzbekistan's accession to the European Union is subject to approval by the Council of Europe and the 28 Member States of the European Atomic Energy Community. This process is regulated by the Agreement on Partnership and Cooperation (PCA) signed between the two countries in 2004.

Under the bilateral Generalized Scheme of Preferences, European member states and the European Union have approved the Republic of Uzbekistan as the 9th beneficiary nation of the special incentive arrangement

¹ Kazakhstan and Kyrgyzstan are meant here.

² Agreements related to the trade of textile were signed with Kazakhstan, Tajikistan, and Turkmenistan in December 1999. Content of these agreements is almost the same.

for sustainable development and good governance (GSP+) in the year 2021. From April 10, 2021, the EU began imposing favorable tariffs to items imported from Uzbekistan under this agreement. Low and lower-middle income nations agree to implementing the 27 fundamental international treaties on human and labor rights, environmental and climate protection, and good governance when they join the GSP+ system. The GSP Regulation demands that GSP+ recipients' requirements be continuously monitored. In comparison to the present Standard GSP arrangement, Uzbekistan will profit more economically from GSP+ (*Eeas.Europa.Eu*, n.d.). The elimination of tariffs on two-thirds of the GSP-covered product categories would boost exports and attract further investment to the country. The GSP+ commitments to sustainable development will strengthen Uzbekistan's status as a trustworthy, forward-thinking economic partner. Tashkent has previously benefited from special status under the larger Generalized Scheme of Preferences (GSP) agreement, but now numerous tariffs on commodities bound for Europe have been eliminated. In June 2020, the nation applied to join the EU's GSP+ system. The fact that Uzbekistan has been accepted as a GSP+ recipient indicates the government's efforts to enhance the business climate, the legal system, security services, labor conditions, and administrative accountability.

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