

MAIN DIRECTIONS OF UZBEKISTAN–GERMANY ECONOMIC COOPERATION

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Abstract: This article analyzes the main directions of economic cooperation between Uzbekistan and Germany. It highlights the development of trade and economic relations, industrial cooperation, investment projects, technology transfer, and support for small and medium-sized businesses between the two countries. The article also emphasizes the importance of cooperation based on Germany’s advanced experience in modernizing Uzbekistan’s economy, producing competitive products, and ensuring sustainable economic growth.

Keywords: Uzbekistan, Germany, economic cooperation, investments, industrial cooperation, trade relations, technology transfer, modernization, small and medium-sized businesses.

In Uzbekistan’s foreign economic policy, goals such as developing the country’s economic potential, securing a *достой* position in the global market, producing competitive products, increasing export volumes, and achieving economic growth to strengthen its standing on the world stage have been prioritized. Similarly, Germany’s foreign economic policy has pursued several objectives. First, strengthening the German trade network in foreign countries; second, developing a global network of offices of the Federal Agency for Foreign Trade and Investment; third, establishing a system of investment guarantees; and fourth, implementing innovative cooperation between the state and business [1].

Since 1993, intergovernmental consultations between the Republic of Uzbekistan and the Government of Germany have been conducted to discuss issues of financial and technical cooperation. The opening of the Trade House of the Republic of Uzbekistan in Frankfurt am Main, Germany, by Resolution No. 81 of the Cabinet of Ministers dated February 14, 1997 [2], further strengthened bilateral relations. The “Uzbekistan–Germany” and “Germany–Uzbekistan” Business Councils, established in 2015, have played an important role in the consistent development of multifaceted cooperation between the two countries [3].

In the field of communications, cooperation with the German joint-stock company Siemens was carried out in Uzbekistan between 1993 and 2003, focusing on the modernization and expansion of the national telecommunications network [4]. In accordance with the contract signed on June 11, 1993 between the Ministry of Communications of the Republic of Uzbekistan and the German company Alcatel SE [5], work was undertaken to modernize and expand Uzbekistan’s telephone networks [6]. In particular, equipment worth 80 million German marks was supplied to telephone exchanges in the cities of Tashkent and Namangan [7]. The construction of a plant producing Mercedes-Benz trucks in the Khorezm region in 1994, as well as the opening in August 2009 of the Uzbekistan–Germany joint venture JV MAN Auto-Uzbekistan, which produces MAN vehicles and provides technical services, demonstrated that economic cooperation was implemented across a wide range of sectors.

The obtained research results show that preferential loans and investments were made in Uzbekistan in the following amounts: 32 million German marks in 1996 [8]; 8,604 million soums in 1998; 27,264.1 million soums in 2000; 60,735.6 million soums in 2002; 80,867.1 million soums in 2004; 67,211.5 million soums in 2005; 22,617.0 million soums in 2006; 87,883.5 million soums in 2007; and 22,203.8 million soums in 2017 [9]. A decline in investment volumes was observed in 2005–2006. This was due to sanctions imposed by the European Union against Uzbekistan following what it considered an incorrect interpretation of the 2005 Andijan events [10].

Germany ranks among the leading European countries in terms of the volume of investments made in Uzbekistan's economy. In 1992, the year when cooperation ties with Germany were established, bilateral trade amounted to exports worth 94.022 million US dollars and imports totaling 216.307 million US dollars [11]. In 1994, Germany's share in Uzbekistan's total foreign trade turnover accounted for 10 percent. By comparison, this figure was 6.4 percent in 1992 and 4.5 percent in 1993 [12], indicating steady growth in trade and economic relations. The volume of mutual trade between Uzbekistan and Germany exceeded 528 million US dollars in 2016 [13], and in 2017 trade turnover increased by 32.5 percent, reaching 600 million US dollars [14]. By 2018, a 25 percent increase brought the figure to 772 million US dollars. At the end of 2019, bilateral trade reached 980 million US dollars, demonstrating the effectiveness of cooperation. In 2020, however, mutual trade between Uzbekistan and Germany declined due to the COVID-19 pandemic, decreasing from 980 million US dollars in 2019 to 829 million US dollars. Despite the overall decline in trade turnover, Uzbekistan's exports to Germany increased: exports amounted to 62.2 million US dollars in 2019 and rose to 67.6 million US dollars in 2020. Owing to the continuing global pandemic in 2021, the decline in bilateral trade persisted, falling from 829 million US dollars in 2020 to 762.7 million US dollars. Nevertheless, Uzbekistan's exports to Germany continued to grow, increasing from 67.6 million US dollars in 2020 to 70.4 million US dollars in 2021. This indicates that bilateral relations with Germany remained dynamic even under pandemic conditions.

As a result of the analysis and synthesis of archival materials, it was determined that as of January 1, 1994, 13 joint ventures with German capital participation were operating in Uzbekistan [14]. By the end of 1996, there were 1,259 companies with foreign investment in Uzbekistan, 86 of which were established with German capital participation [15]. In 2018, more than 5,000 companies with foreign capital were operating in Uzbekistan, including 132 companies established in cooperation with German entrepreneurs [16].

As a result of the study, a quantitative decline in export volumes from Germany in mutual trade turnover was observed during 1998–2000. This was not due to a slowdown in relations between the two states, but rather to a decrease in world market prices for goods in 1998–1999. The reduction in import volumes in 2000 was the result of the cautious foreign currency policy pursued by the Government of the Republic of Uzbekistan. During this period, primary attention was directed toward the CIS countries. Nevertheless, Germany remained among Uzbekistan's leading partners within the European Union even in 2000 [17].

In cooperation with Germany, a number of problems were observed in trade and economic relations and in attracting investments to Uzbekistan. One of the initial and most acute problems was the issue of currency convertibility. Uzbekistan's policy in this area caused dissatisfaction among German investors. Unannounced changes to assets by the state prevented companies from

determining the future prospects of their activities. Second, there was an underdeveloped banking system that was insufficient for carrying out current operations. German investors expressed the view that this problem could be resolved by establishing systems for cash and non-cash banking transactions and by providing high-quality banking services. Third, there were problems related to securities. These included the lack of sufficient information sources for issuing companies, inadequate advertising on the stock exchange, the failure of financial reporting systems in the industrial sector to meet international standards, and price discrepancies between cash and bank transfer purchases of securities on the stock exchange. Fourth, there was the problem of insuring investments made by Germany as well as by other foreign countries. Although reforms were undertaken in the insurance system, by 1997 a mechanism guaranteeing the return of invested capital had not yet been formed. As a result, the risk of non-recovery of investments remained high. Fifth, the statistical system for foreign investments in the republic was also ineffective, making it difficult to obtain accurate and timely data.

In September 2016, the new government led by Sh. Mirziyoyev initiated a new stage by fundamentally revising investment policy and addressing existing shortcomings in this field. Free currency convertibility was introduced in the country. Price differences related to cash and non-cash transactions were eliminated, and the introduction of ATMs in the banking system proved effective in this regard. Strong guarantees for investments were established, and the statistical system was reviewed after 2016 to ensure the timely provision of data.

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