

# Prospects for expanding cooperation between Uzbekistan and the countries of Central Asia

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**Abstract-** This scientific article is devoted to the consideration of the issues of strengthening interregional cooperation between Uzbekistan and the Central Asian countries as a source for the economic growth of the country and its regions. Besides, the study presents the evaluation of foreign economic activity and competitive advantages of Uzbekistan's export of goods and services with the Central Asian countries. Furthermore, the article highlights positive aspects and priority areas for further expansion of interregional cooperation.

**Index Terms-** interregional cooperation, Central Asia, foreign trade turnover, the export of goods and services, competitive advantages, promising areas.

## I. INTRODUCTION

Expansion of Uzbekistan integration into the world economic system is considered to be an essential element of ongoing structural reforms in the economy, ensuring the conditions required for sustainable economic development. The Action Strategy for further development of the Republic of Uzbekistan outlines the necessity for the country and its regions to shift to an export-oriented development model, including implementation of measures to enhance the export potential of territories, development, and support of competitive export activities, as well as the entrance of domestic goods and services to world markets [1].

Moreover, the head of state at the 72nd session of the UN General Assembly has emphasized the significance of reinforcing interregional cooperation of the Central Asian countries and set forth several constructive ideas and initiatives to strengthen peace and security, as well as sustainable socio-economic development in the Central Asian region. [2].

In this regard, currently, the main objective is to implement measures to strengthen the interregional cooperation of Uzbekistan with foreign countries. With that knowledge in mind, the authors have considered the issues of strengthening interregional cooperation between Uzbekistan and the countries of Central Asia as a source for the economic growth in the country and its regions.

The research aims to determine the key priority areas of interregional cooperation between Uzbekistan and the countries of Central Asia. The main objectives of the study are the following: foreign trade turnover assessment, evaluation of competitive advantages and potential of the country, determination of the principles and basic areas of interregional cooperation of Uzbekistan.

Due to the significant potential and numerous opportunities for creating interstate cooperation, such modern integration associations as the EU, NAFTA, ASEAN, APEC, CIS, SCO, EAEU, etc. are performing throughout the world. Implementation of joint activities in the socio-economic, environmental, and political spheres constitutes the basis required for maintaining the advantages and strengthening the positions of countries in the world [3].

The overview of the performance of such integration associations illustrates that the main aim of their organization is to ensure the stability of development and security of the member states, as well as trade liberalization (Table 1). Herewith, the primary objectives are the elimination of customs barriers, the attraction of investment funds, joint solution of environmental and political issues, implementation of interregional projects for economic, social, and cultural development, comprehensive modernization, cooperation, and enhancing the competitiveness of the economies of the member states [4].

The experience shows that interregional economic cooperation contributes to the diversification of activities, the introduction of updated forms of productive forces placement, elimination of barriers for the sale of local products and services, purchase of raw materials and consumables, flow of investment, and labor resources between regions of countries [5].

**Table 1**

**Overview of the activities of the fundamental integration associations throughout the world**

Association name	Main aim	Sub-aims and objectives
EU	Reinforcing integrity,	- protecting common values, interests, independence, and integrity of the Union;

	enhancing security level in Europe.	<ul style="list-style-type: none"> <li>- strengthening peace and raising the international security level of the states;</li> <li>- spreading of the international cooperation ideas;</li> <li>- developing and strengthening democratic power and justice, respect for human rights, and fundamental freedoms.</li> </ul>
NAFTA	Removing barriers in the sphere of trade and investments.	<ul style="list-style-type: none"> <li>- eliminating customs barriers and promoting the flow of goods and services between the participating countries;</li> <li>- creating and maintaining conditions for fair competition in the free trade zone;</li> <li>- attracting investments to the member countries of the agreement;</li> <li>- ensuring efficient protection and security of intellectual property rights;</li> <li>- joint dispute resolution and management;</li> <li>- creating a single continental market.</li> </ul>
ASEAN	Ensuring regional free trade.	<ul style="list-style-type: none"> <li>- establishing peace and stability throughout the region;</li> <li>- accelerating economic, social, and cultural development of states;</li> <li>- maintaining mutually beneficial cooperation with general and regional international organizations.</li> </ul>
APEC	Liberalizing trade and targeted action against protectionism.	<ul style="list-style-type: none"> <li>- maintaining the economic growth of partner countries;</li> <li>- strengthening mutual trade, eliminating restrictions on the flow of goods, services and capital between countries.</li> </ul>
CIS	Regulation of cooperation relations between the states of the former USSR.	<ul style="list-style-type: none"> <li>- cooperation in political, economic, environmental, humanitarian, cultural, and other fields;</li> <li>- ensuring human rights and freedoms;</li> <li>- cooperation in ensuring international peace and security;</li> <li>- Peaceful resolution of disputes and conflicts between the member states of the organization.</li> </ul>
SCO	Stabilization of the situation, maintenance of peace and strengthening security in Central Asia.	<ul style="list-style-type: none"> <li>- developing cooperation in political, economic, scientific, and other fields;</li> <li>- promoting the creation of favorable conditions for trade, and investment to implement the free flow of goods, capital, services, and technologies;</li> <li>- joint counteraction to terrorism, separatism and extremism, illegal drug and arms trafficking.</li> </ul>
EAEU	Removing internal barriers for the trade of member states.	<ul style="list-style-type: none"> <li>- creating conditions for stable development of the economies of the member states and improving living standards of the population;</li> <li>- formulating a single market for goods, services, capital, and labor resources;</li> <li>- comprehensive modernization, cooperation, and raising the competitiveness of national economies.</li> </ul>

Source: Developed by the authors.

## II. RESEARCH ELABORATIONS

Various aspects of the formation and implementation of interregional cooperation have been studied in research papers of foreign scholars. The issues of interstate and interregional integration in the system of international relations have been considered by A.G. Granberg [6], P.A. Tsygankov [7], V.Buglai [8], A.A. Suetin [9], and T.D. Tuleshov [10]. Scientific papers of the scholars mentioned above are devoted to the general theoretical aspects and features of international cooperation.

Practical aspects of interregional cooperation have been studied in the research papers of N.N. Liventsev [11], Ye.D. Khalevinskaya [12], A.M. Libman [13], Ye.V. Lukin [14], V.L. Kheifets [15]. In these works, a particular focus is made on the problems and development prospects of current integration organizations.

The methodological foundations of international trade and economic integration in the research papers of A. Knobel [16], A. Yeats [17] are aimed at assessing the efficiency integration associations.

Also, researches devoted to the problems of interregional cooperation and creation are presented by the works of domestic economists – O.O. Olimjonov [18], N.Kh. Jumaev, D. Rakhmonov [19], D.N. Rakhimova [20], M.B. Khamidulin [21], N.S.

Ziyadullaev [22], O. K. Iminov [23], O.A. Khakimov [24], S.A. Voronin [25], T.Sh. Shodiev [26]. The research papers of these scholars - economists touch upon the issues of Uzbekistan interaction with various integration organizations, in particular, the SCO, the EAEU, the WTO, as well as positive and negative aspects that can be expected within the framework of this cooperation.

The information background for this research is represented by the statistical bulletins “Export, import of goods and services” for 2017-2019 of the State Committee on Statistics of the Republic of Uzbekistan. Such methods as comparative assessment, groupings, system and structural analysis have been applied in this research [26].

In the new economic policy of Uzbekistan, launched in 2016, one of the most essential elements of structural transformations in the economy was a significant intensification of the country’s integration into the world economic system. Efficient use of the available natural and economic potential of the country and its regions enabled to gradually enhance the volume of foreign trade turnover with foreign countries, including the countries of Central Asia.

The guiding principles for the development of the foreign economic activity of Uzbekistan within the period between 2017 and 2019 are represented by the widespread strengthening of export potential, expanding the scale of attracting foreign investment, and deepening of import substitution processes. During the analyzed period, the foreign trade turnover of Uzbekistan with the Central Asian countries increased 2.9 times, which is higher than the total value of the national trade turnover (the total volume of Uzbekistan foreign trade turnover in this period increased 1.5 times).

### III. RESULTS AND FINDINGS

As a result, the contribution of the Central Asian countries to foreign trade turnover grew from 10.2% in 2017 up to 19.1% in 2019, which justifies the intensification of interregional economic cooperation (Table 2).

**Table 2**

Indicators of the development of the foreign economic activity of Uzbekistan with the countries of Central Asia for the period of 2017-2019, mln. USD

Indicator	Years	Total	Including by the Central Asian countries				The share of the Central Asian countries in the total trade turnover of Uzbekistan,%
			Kazakhstan	Kyrgyzstan	Tajikistan	Turkmenistan	
Foreign trade turnover	2017	26983,2	2069,8	255	237,9	177,9	10,2
	2018	33553	2919,6	402,8	390,5	302,8	12,0
	2019	41751	3334,9	3334,9	820,3	480,5	19,1
Export of goods and services	2017	12094,6	1071,6	179,6	186,1	69,9	10,8
	2018	13990,7	1352,2	269,7	237,5	59,5	13,7
	2019	17458,7	1392,9	669,6	327,6	144,3	14,5
Import of goods and services	2017	12137,6	998,2	75,4	51,8	108	9,4
	2018	19562,3	1567,4	133,1	153	243,3	10,7
	2019	24292,3	1942	150,7	152,9	410	10,9
Trade turnover balance	2017	-43	73,4	104,2	134,3	-38,1	
	2018	-5571,6	-215,2	136,6	84,5	-183,8	
	2019	-6833,6	-549,1	518,9	174,7	-265,7	
Foreign trade turnover growth, %	2017-2019	154,7	161,1	1307,8	344,8	270,1	
<b>Including:</b>							
export of goods and services, %		144,4	130,0	372,8	176,0	206,4	
import of goods and services, %		200,1	194,6	199,9	295,2	379,6	

Source: Developed by the authors in reliance upon the data of the Statistical Bulletin of the State Committee on Statistics of the Republic of Uzbekistan “Export-import of goods and services” for the period of 2017-2019.

It should be noted, possessing peculiarities and competitive advantages in certain types of economic activity, Uzbekistan takes up a worthy place in the export of goods and services (the share of the Central Asian countries in the export of goods and services of the country in 2019 constituted 14.5% which is 3,7 percentage points higher than in 2017).

Herewith, among the countries under consideration, the main importers are Kazakhstan (8.0% of the total volume of exports) and Kyrgyzstan (3.8%). Tajikistan and Turkmenistan are characterized by moderate indicators (1.9% and 0.8%, respectively).

Analysis of the export of goods and services in terms of commodity groups has revealed that Uzbekistan possesses competitive advantages in the production and export of chemical products and the items thereof, machinery and equipment, food products (export to Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan), as well as ferrous metals (export to Kazakhstan, Kyrgyzstan, Tajikistan) (Table 3) [27].

Nevertheless, it should be noted that Uzbekistan is considered the major importer of energy and oil products, non-ferrous and ferrous metals, and other products among the Central Asian countries.

In general, by the present time, the leadership of the Central Asian countries has signed agreements on industrial and scientific and technical cooperation, interregional cooperation, mutual encouragement and protection of investments, mutual recognition of documents on education and training. Uzbekistan catches sight of favorable prospects for cooperation in the field of mechanical engineering, deep localization of joint ventures, electrical, textile and food industries. The Republic of Kazakhstan, the Republic of Kyrgyzstan, the Republic of Tajikistan, and Turkmenistan are considered to be crucially important partners for Uzbekistan, both in terms of the economic interregional development and ensuring the environmental safety of the region. Relations between these countries are based on the historical closeness of people, as well as mutual political and economic interests.

A major driver for expanding cooperation is the successful performance of joint and foreign enterprises. Currently, there are over 200 companies in Uzbekistan with the participation of Kazakh capital (83% joint ventures and 17% of companies with 100% Kazakh capital) and about 96 companies established with the participation of Kyrgyz investors. In turn, there are approximately 150 companies within the territory of Kazakhstan, and over 200 joint Kyrgyz-Uzbek companies specializing in the production of a wide range of goods and services in Kyrgyzstan.

**Table 3**

**Competitive advantages of export of goods and services of Uzbekistan in the development of foreign trade turnover with the Central Asian countries (in reliance upon the specialization ratio<sup>1</sup>)**

Commodity group	Kazakhstan	Kyrgyzstan	Tajikistan	Turkmenistan
Chemical products and items thereof	1,699	1,426	2,347	2,139
Non-ferrous metals	0,645	0,232	0,068	0,003
Ferrous metals	2,550	1,174	2,120	0,021
Energy and oil products	2,172	0,096	0,786	0,016
Machinery and equipment	4,213	1,531	1,893	2,844
Food products	2,479	5,720	1,887	1,165
Services	0,498	0,180	1,906	3,221
Others	0,251	0,753	0,346	0,200

Source: Developed by the authors in reliance upon the data of the Statistical Bulletin of the State Committee on Statistics of the Republic of Uzbekistan "Export-import of goods and services" for 2019.

**The following advantages can be distinguished among the positive aspects of implementing interregional cooperation between Uzbekistan and the Central Asian countries:**

- implementing large investment projects, arranging territorial clusters, trade zones;

<sup>1</sup> The competitive advantages of Uzbekistan have been revealed in reliance upon calculating the ratio of export specialization by commodity group. According to the assessment method, a ratio value equal to or higher than 1 (one) indicates the presence of a deep specialization of exports for a particular commodity group.

- attracting investment resources in the regions with the aim of industrial development of districts and cities in the development and implementation of high-tech types of economic activities (mechanical engineering, pharmaceuticals, instrument-making industry, informatization, and communications);
- creating own brand for local products, for example, textile products, arranging trading houses and centers in the countries of Central Asia;
- entrance of local products to foreign markets, in particular, the Central Asian countries within the framework of the implementing agreements on free trade zones;
- exchange of experience, advanced techniques and technologies, know-how in the field of education, health care, business development, and enhancing investment attractiveness;
- developing remote and neighboring areas (rural areas) through the implementation of joint projects based on local potential and resources, etc.

#### IV. CONCLUSION

Evaluation of the natural and economic potential of the regions performed by the Institute for Forecasting and Macroeconomic Research within the framework of doing research has enabled to identify of promising areas in intensifying international cooperation between Uzbekistan and the Central Asian countries.

Firstly, it should be noted, that the government industrial policy aimed at deepening processing production through the introduction of current placement forms (cotton-textile and agro-industrial clusters) constitutes a reserve for reducing raw material orientation of the economy and enhancing the export potential of finished products (agricultural products, ready-made fruits and vegetables, meat and dairy products, textiles, pharmaceuticals, etc.) of the country and its regions. In this regard, implementation of interregional projects may consist in attracting foreign investments, providing accumulated experience (for example, the experience of Fergana Valley in land cultivation, construction works, etc.), establishing business centers and trading houses to assist in the sale of goods and services in neighboring countries [28].

Secondly, Uzbekistan possesses an adequately developed transport infrastructure for the further development of cross-border transportation of passengers and goods. Further implementation of projects for the renewal and modernization of the most essential transport corridors connecting the Central Asian countries and entering foreign markets, as well as transport logistics development will reduce transport costs, enhance trade between countries, and open up prospects for the tourism development along the Great Silk Road [29].

Besides, it is advisable to create a single corridor in terms of arranging cross-border trade aimed at intensifying economic interaction of the border territories of Uzbekistan and relevant border territories of neighboring states.

Thirdly, Uzbekistan is characterized by a relatively densely populated territory and the availability of labor resources, and thus active labor migration of the population remains a challenging issue. External labor migration represents an outflow of the labor force, qualified personnel from the regions of the country to economically more prosperous countries. The deals with the countries of Central Asia, beneficial for both parties can be achieved within the framework of the organization of interregional cooperation aimed at ensuring employment of the population of Uzbekistan. There are opportunities for expanding the sphere of education and health care with the subsequent provision of employment in this area as well.

Fourthly, the common problem of the Central Asian regions is the rational use of water and energy resources, stabilization of the ecological situation [30, 31].

The renewal of the single energy system will enable Uzbekistan, Turkmenistan, Kazakhstan, Tajikistan and Kyrgyzstan to use common capacities and eliminate problems related to the energy supply including the problems in rural areas. The single electricity market enables setting transparent prices for the electricity consumer and will make a positive impact on the economic growth of the member states.

Within the framework of uniting joint efforts in stabilizing the ecological situation in the regions of Central Asia, the following issues remain topical: the resolution of the issues with the water shortage in some states (Kazakhstan, Uzbekistan, and Turkmenistan), providing the countries of other states (Kyrgyzstan and Tajikistan) with electricity, as well as reducing water consumption by intensifying agriculture.

Thus, expanding cooperation between the Central Asian countries shall provide them with the following prospects:

- lower prices for goods due to a decrease in the cost of transporting raw materials or exporting finished products;
- encouraging robust competition within the common market of Central Asia;
- An increase in average salary as a result of reducing costs and raising labor productivity;
- Production increase due to the growth of demand for goods;
- accelerating the transition of countries to an export-oriented development model, wherein there is an opportunity to create jobs in export-oriented sectors of the economy;

- improving the welfare of the population of Central Asia due to the reduction of prices on food and increased employment;
- As a result of the expansion of the market, an increase in the recovery cost of new technologies and goods.

Also, the unification of the industrial, transport, industrial base, human resources will provide a multiplier effect to all Central Asian states.

In general, economic integration between the countries of Central Asia will become the most essential source and reserve for their economic growth within the framework of rising global competition throughout the world.

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