

Trade, Economic and Investment Co-Operation between Uzbekistan and Germany

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Abstract:

With the development of economic diplomacy, Uzbekistan seeks to actively co-operate and maintain relations with the global community. To date, Uzbekistan has closely co-operated with Germany in trade, economic and investment relations. The article covers both the current state of the partnership and its historical dynamics, as well as the volume and structure of trade, investment dynamics and technology exchange, as well as the role of political and economic factors in shaping the relationship. We will consider analyses of the challenges and opportunities for both countries, as well as recommendations for further strengthening and expanding the partnership.

Keywords: Trade and economic cooperation, investments, Uzbekistan, German companies, economy, Germany, trade turnover, partnership relations, factories, agricultural products, exhibitions, technology.

Over the past decades, Uzbekistan and Germany have established strong economic ties that have become an important factor in their mutual development and prosperity. Trade, economic and investment co-operation between the two countries has a significant impact not only on their own economies, but also on the international arena as a whole. Uzbekistan, with its rich resources and strategic geographical location in Central Asia, is becoming an increasingly attractive partner for Germany, one of the leading economic powers of the European Union. In turn, Germany, with its advanced technologies and extensive business experience, plays a key role in strengthening economic ties with Uzbekistan and implementing joint projects in various fields.

Since 1991, Uzbekistan and Germany have established diplomatic relations, which became the starting point for in-depth co-operation in various spheres. Investments by German companies in various sectors of the Uzbek economy, such as energy, chemical industry and transport, have been an important factor.

The official visit of President of the Republic of Uzbekistan Shavkat Mirziyoyev to Germany on 22 January 2019 was an important moment in the foreign policy of that year, contributing to the activation of political dialogue, deepening and expanding Uzbekistan's friendly relations in the international arena. In turn, the visit of Federal President of the Federal Republic of Germany Frank-Walter Steinmeier to Uzbekistan on 27-29 May 2019 was the beginning of a new chapter of cooperation between the two countries on the basis of mutual interests.

In trade between Uzbekistan and the Federal Republic of Germany, a maximum-favoured-nation regime has been established. The Intergovernmental Working Group on Trade and Investment and the German-Uzbek Business Council operate as important mechanisms for its development. Currently, 113 enterprises with the participation of German investors operate in Uzbekistan, including 27 enterprises with 100 per cent foreign capital. These enterprises are active in various sectors of the economy. Under the auspices of the Ministry of Foreign Economic Relations, Investment and Trade of Uzbekistan, 36 firms and companies from Germany have been accredited, which is evidence of the deep commercial ties between the two countries.

The number of enterprises with the participation of German capital has increased almost 3 times in several years and exceeded 200 units, and there has been a doubling of trade turnover and the number of joint projects between the partner countries. The total volume of investments from Germany in the Uzbek economy is 5.5 billion euros, 4 of which were attracted in recent years.

More than 30 German companies have representative offices in Uzbekistan, which testifies to the deep commercial ties between the two countries. An example of such co-operation is the assembly plant in Samarkand, where modern trucks are produced in partnership with MAN Nutzfahrzeuge AG with the support of the joint-stock company Uzavtoprom, which has an authorised capital of 3 million euros. The plant produces vehicles with a payload of up to 18 tonnes and buses for 37 passengers, with a total production capacity of four thousand units per year. In addition, such well-known companies as CLASS, Lemken, Falk Porsche Fiberlass, Papenburg, Hugo Boss, Carl Gross, Digel, Engelbert Strauss and Deutsche Kabel actively contribute to the development of the Uzbek economy in various sectors.

Representatives of German companies signed an agreement to supply production lines for two new plants scheduled to open in 2024 in the cities of Urgench and Andijan. The new plants will specialise in the production of autoclaved aerated concrete, which is in significant demand in the market. In addition, the parties also signed a memorandum on the construction of two plants in Navoi and Termez in the period from 2024 to 2025, with the supply of production equipment and subsequent launch of production. The production capacity of the plant in Andijan will be 600,000 cubic metres per year and in Urgench - 300,000 cubic metres, the total cost of the project is 46 million euros. The new aerated concrete plants in Termez and Navoi will also be equipped with German production lines.

In addition, it is planned to build a gas concrete plant in Surkhandarya region with an annual production capacity of 300,000 cubic metres. In Navoi region it is planned to build a plant with the same capacity of 600,000 cubic metres per year, as well as a fibre cement panel plant with an area of 2,250,000 square metres. The total value of the memorandum is estimated at 75 million euros.

In the period 2016-2022, trade turnover between Uzbekistan and Germany grew 2.2 times - from \$529.1 million to \$1,159.3 million. Exports - 2.4 times (from \$36.9 million to \$88.9 million), imports - 2.2 times (from \$492.2 million to \$1,070.4 million).



Figure 1: Trade turnover of the Republic of Uzbekistan and Germany over the last 5 years.

Source: Centre for Economic Research and Reform.



Figure 2: Trade turnover of the Republic of Uzbekistan and Germany over the last 5 years.

Source: Centre for Economic Research and Reform.

In Germany, the wonderful gifts of Uzbekistan's nature, fruits and vegetables enriched by the generous sun, grown by the hands of diligent farmers and skilful gardeners, especially dried fruit, textiles made of pure cotton and silk, ready-made clothes, as well as industrial products, are in great demand.

The development of trade exchange in the field of agricultural machinery, equipment, agrochemicals and foodstuffs between Uzbekistan and Germany continues to attract the attention of both sides. In 2019, a significant part of German agricultural exports to Uzbekistan was related to foodstuffs, machinery and tractors, with a total value of around €53 million. With the development of supermarkets in Uzbekistan, German dairy products have also proved to be in demand in the Uzbek market. According to experts, the Uzbek agro-food industry has the potential to successfully enter the German market. In addition to the already popular fruits and vegetables, organic products

have significant potential to attract German consumers, despite the transport costs. However, an essential aspect is the establishment of reliable local production chains, which requires significant investments not only in the purchase of modern equipment and the introduction of advanced technological processes, but also in the development of highly qualified personnel. The issue of exhibitions and prospects for agricultural exports is a key aspect for strengthening trade relations between Uzbekistan and Germany. Today, such events as AgroExpo Uzbekistan / Agrotech Expo and Uzfood, which are included in the programme of foreign exhibitions of the Federal Ministry of Food and Agriculture of Germany, remain relevant in Uzbekistan. These events provide an opportunity for Uzbek producers to present their products and technologies at the international level, and also play an important role in promoting agricultural innovations.

On the other hand, German exhibitions such as International Green Week, BIOFACH, ANUGA, Agritechnica, EuroTier and IPM represent opportunities for Uzbek producers to learn about advanced technologies and world-class products, as well as to establish new partnerships and expand export opportunities.

As for potentially popular Uzbek products on the German market, organic products and high quality fruits and vegetables have great potential to attract the attention of German consumers. At the same time, it is necessary to take into account competition and build marketing and sales strategies aimed at highlighting the features and quality of Uzbek products against the background of world analogues.

Trade with Germany increased significantly in 2022 compared to 2021, up 51.4 per cent to nearly \$1.2 billion. Exports increased by 23.1 per cent and imports by 54.3 per cent. Thus, the target set in 2019 to increase mutual trade turnover to one billion euros by 2022 was achieved.

Thus, trade, economic and investment relations between Uzbekistan and Germany continue to demonstrate significant progress and steady growth. The increase in the number of enterprises with German capital participation, expansion of investment projects and higher trade turnover are vivid indicators of the strengthening of mutually beneficial cooperation between the two countries. The presence of more than 30 representative offices of German companies in Uzbekistan, as well as successful joint projects in various sectors of economy testify to deep commercial ties and promising development of cooperation. It is important to note that the increase in trade volume over the last 5 years testifies to the aspiration of both sides to further expand and deepen partnership relations. Thanks to the establishment of new production lines, the exchange of experience and technology between Uzbek and German companies will be strengthened, which contributes to the improvement of productivity and quality of products. This, in turn, will create favourable conditions for further growth of economic cooperation and increase in foreign trade between the countries. In addition, given that agricultural and construction materials such as aerated concrete and fibre cement panels are important components of infrastructure projects and housing construction, increased production of these materials can also contribute to the expansion of social infrastructure in Uzbekistan. Exhibitions and events such as AgroExpo Uzbekistan / Agrotech Expo, Uzfood, as well as the International Green Week and other German exhibitions play an important role in stimulating dialogue between the business communities of the two countries and contribute to attracting new opportunities for cooperation. In the context of finding new markets and promoting products internationally, the partnership between Uzbekistan and Germany represents a significant potential for both countries. It is important to continue to improve the infrastructure for trade and investment, develop new forms of co-operation and actively draw attention to the quality products and technologies that each side possesses.

In conclusion, taking into account mutual interests and existing potential, further rapprochement and partnership development between Uzbekistan and Germany promise mutual benefits and lay the foundation for sustainable economic growth and prosperity of both countries.

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