

DEVELOPMENT PROSPECTS OF COOPERATION BETWEEN UZBEKISTAN AND THE EUROPEAN UNION

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Abstract

Innovative modernization of the economy, which refers to the formation of a new type of knowledge-based economy, requires the development of financial and technical cooperation and the expansion of exports, primarily with developed countries, in particular with the EU, which allows increasing the export potential of the country, which is discussed in this article.

Keywords: *European Union, Uzbekistan, GSP, Preferences, Modernization, Opportunities, Textile Products, Export, Reform Program, Cooperation, Integration.*

INTRODUCTION

The European Union provides technical and financial support to the reform program in Uzbekistan and constantly cooperates with official organizations in all areas, in particular in the field of human rights, freedom of the press and good governance.

It is known that the General System of Preferences (GSP+) is a system of preferential customs tariffs for goods produced in developing countries and exported by developing countries to developed countries. GSP + covers almost all industrial and some agricultural products. Today, 9 countries use the GSP+ scheme. Among them, Armenia and Kyrgyzstan are the beneficiaries of the CIS countries.

From April 10, 2021, Uzbekistan was accepted as the 9th beneficiary country under the general preferences scheme of the European Union system of preferences for sustainable development and effective governance (GSP). This is an important stage in the relations between the European Union and Uzbekistan, which will further deepen the dialogue and trade between the parties. It also means new reforms in cooperation with many stakeholders in the EU and Uzbekistan, including local governments, business communities and civil society organizations.

Since 2014, the country has been using the GSP regime, which allowed to export 3,000 goods to the European Union without customs fees and 3,200 goods at reduced rates. The new status allows European countries to import 6,200 goods duty-free. As a member of the GSP+ system, Uzbekistan has additional economic benefits compared to the standard GSP through the complete cancellation of tariffs for two-thirds of the product lines covered by the GSP, in turn, the increase in export volume and the country's serves to attract additional investments. Currently, a very large part of about 74% of the EU imports from Uzbekistan has the right to access the preferential market within the standard GSP.

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LITERATURE REVIEW

The GSP+ beneficiary status allows not only to increase the volume of exports, but also to significantly increase the flow of European investments and advanced technologies to Uzbekistan, and to create new jobs. It will also facilitate the country's connectivity to global supply chains and value additions and expand its export nomenclature.

According to the Ministry of Investments and Foreign Trade (MIFT), the volume of trade between Uzbekistan and the European Union increased by 30% in the first quarter of 2022. Exports of the Republic of Uzbekistan increased by 56% thanks to the status of the beneficiary of the GSP+ system of general preferences. In the first half of 2022, Uzbekistan's exports to the European Union increased by 86%, and textile products accounted for 90% of the increase. After all, in the "development strategy of the new Uzbekistan for 2022-2026" the goal was to "increase the volume of finished and semi-finished products in the export structure by 3,3 times and expand the export of finished products to European countries within the framework of the GSP+ system."

In Uzbekistan, the level of use of GSP benefits is currently 90%. Product segments benefiting from reduced benefits are mainly textiles and clothing, plastic products, as well as fruits, nuts and vegetables. This shows that Uzbekistan's export structure is more diverse than its Central Asian neighbors.

The GSP+ system provides additional opportunities to increase trade between the European Union and Uzbekistan due to the abolition of tariffs on a number of important export goods such as textiles, clothing and plastic products. Despite the proximity of Uzbekistan to the European Union market, the trade potential is not yet fully exploited, as the European Union ranks only seventh in the list of export destinations of Uzbekistan.

MAIN DISCUSSIONS

Acceptance of Uzbekistan as a beneficiary of GSP+ reflects socio-economic and labor reforms and consistent positive development. The Government of Uzbekistan expresses its recognition of the reforms implemented in the areas of business environment, judicial system, security services, working conditions, administrative responsibility and efficiency improvement.

If we look at the opportunities that GSP+ provides for the textile industry of Uzbekistan, the export of its products will make up 16.5 percent of the total export (2022). In January-December 2022, 552 types of textile products were exported to 73 countries of the world, that is, the export geography expanded from 65 to 73. If in 2016 textile exports were around 1.1 billion dollars, by 2022 this indicator will reach 3.178 billion dollars. The main share in the export of textile products is cotton spool (44.4%), as well as ready-made knitwear and sewing products (29.2%).

The main consumers of Uzbek textile products are the CIS countries, China and Turkey. In order to diversify the export of textile products to the countries of the European Union, regular bilateral negotiations were held with potential buyers and trade networks together with the Ministry of Foreign Affairs, the Ministries of Investments and Foreign Trade. GSP+ regime was one of the important factors for increasing textile exports. In this regard, the textile products of Uzbekistan can seriously compete with other textile countries.

It is known that in 2017, Uzbekistan ratified the "textile protocol" with the European Union. According to this, it is planned to significantly reduce the customs fees when exporting the products of the textile industry of Uzbekistan to the countries of the European Union. Previously, the

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customs fees for Uzbek textile products entering the customs territory of the European Union at the rate of 17 percent have been reduced to 6 percent.

In the initial GSP status, the customs rates for textile products from Uzbekistan ranged from 4 percent to 12 percent.

By the end of 2019, exports to the EU countries amounted to 56.7 million dollars, and in 2020 they amounted to 74.1 million dollars (+36.4%). And at the end of the first three months of 2021, the volume of deliveries increased by 27.5 million dollars (+48.7%).

Exported products include cotton yarn 49.1% (\$13.5 million), fabric 21.9% (\$6 million), knitwear 16.7% (\$4.6 million), sewing products 11% (\$2.9 million dollars), hosiery accounted for 1.3% (\$0.3 million).

Products were exported to 16 countries of the European Union, including Poland - 56% (\$15.4 million), Italy - 19.1% (5.3 million), Germany - 7.3% (2 million). The share of these countries in the total export volume was 82.3 percent (22.7 million).

"Uztoqimachilik sanoat" association believes that receiving the GSP+ beneficiary status will create a foundation for domestic textile exporters, which will ensure sustainable growth and diversification of the export product range. Both yarn manufacturers and finished product manufacturers will benefit from this, as CN FEA (Commodity nomenclature of foreign economic activity) codes will be included in the list, which will help develop mutually beneficial trade relations with EU countries in the textile industry.

At the moment, the "Uztoqimachilik sanoat" association is working on improving product quality in cooperation with European international organizations.

- In the future, special attention is being paid to the introduction of European standards that will serve to increase the export of textile products to the European Union market. Thus, in order to comprehensively promote local textile products, the German GIZ community, together with the Gherzi international consulting company, are working on the development of a strategy for the promotion of textile products in Europe," the association said.

According to the forecasts of "Uztoqimachilik sanoat" experts, the expected volume of export of textile products in the framework of the GSP+ preferential trade regime at the initial stage is 300 million dollars, and then it will increase to 1,2 billion dollars by 2025.

Despite the achievements of Uzbekistan in recent years, a number of obstacles to the effective implementation of 27 international conventions remain. The European Union is focusing on two main legislative processes, namely the revision of the Criminal and Labor Codes. The international obligations of Uzbekistan, including the obligations under GSP+, should be reflected in these legal documents.

The removal of duties on two-thirds of the products covered by GSP will create opportunities for the growth of exports and attracting more investments to the country. This contributes to the position of Uzbekistan as a more reliable and promising economic partner. GSP+ gives investors and representatives of the private sector from EU countries a strong incentive to implement promising projects in Uzbekistan, and also creates a solid foundation for diversification and rapid development of trade and economic relations between Uzbekistan and EU countries.

If we look at the perspective of bilateral relations between Germany and Uzbekistan, Germany and Uzbekistan have been maintaining bilateral relations since 1992. After mutual visits of the two

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heads of state in 2019, the scope of cooperation was expanded. The countries have established innovative cooperation, and Germany provides consulting services to support political efforts to liberalize the economy.

In 2019 and 2020, development cooperation between Germany and Uzbekistan was significantly expanded. The German Federal Ministry for Economic Cooperation and Development has developed a new "Strategy until 2030" that reduces the list of partner countries for bilateral cooperation. At the same time, Uzbekistan became the only country in Central Asia to receive state cooperation on bilateral development, which allows to continue bilateral cooperation on the implementation of joint projects. Cooperation is focused on the following areas: Sustainable economic development, personnel training and employment; Health, social security and demographic policy; Climate and energy and the "just transition" (to a climate-friendly economic system).

Uzbekistan also participates in regional projects aimed at strengthening regional cooperation in the fields of economy, vocational education, microfinance sector, and environmental protection, thereby purposefully preventing crises. In addition, the country participates in cross-border regional activities, including projects promoting the rule of law and counter-extremism reforms in Central Asia.

On January 28, 2020 in Berlin, the high-level conference "Green Central Asia - increasing environment, climate and water resilience" was initiated by Germany and focused on the impact of climate change on regional security in Central Asia. The goal is to strengthen regional cooperation (between the five countries of Central Asia and Afghanistan), improve information exchange, and build relationships with academia and civil society.

In recent years, Uzbekistan has also been trying to implement strategic indicative plans, such as reducing the volume of raw materials exports and increasing the share of finished products in exports. In particular, the joining of our country to the GSP+ program from April 2021 will allow Uzbek exporters to export 6,200 types of goods to EU countries without customs duties. This is a 5-year opportunity for our country. As a result, in the first half of 2022, Uzbekistan's exports to the European Union increased by 86%, 90% of the increase was accounted for by textile products.

In 2021, Germany exported 700 million dollars to Uzbekistan. The main products Germany exported to Uzbekistan were packaged medicines (\$71.4 million), textile fiber machines (\$47.1 million) and cars (\$26.2 million). In 2021, Germany did not export any services to Uzbekistan.

According to the United Nations COMTRADE database on international trade, German imports from Uzbekistan in 2022 amounted to 89.46 million dollars.

It can be seen that economic cooperation involves a synergistic process that includes various areas of interest, does not exclude bilateral relations from multilateral relations, and aims to achieve results that cannot be achieved if the approach is individual. Cooperation is carried out on the basis of well-defined rules that include macroeconomic and microeconomic areas. In the conditions of globalization and international economic integration, economic cooperation solves not only relations between states, but also relations between them and state and non-state organizations participating in international economic relations. However, despite its development and growing importance in international relations, economic cooperation remains a vague concept.

Countries export goods that they produce at the lowest cost (in which they have an absolute advantage in production) and import goods that are produced in other countries at the lowest cost

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(in which trading partners have an absolute advantage in production). If two International trade is beneficial when a country trades goods that it produces at low cost relative to its trading partner (that is, the country has an absolute advantage in terms of production costs).

The main directions of our cooperation with the European Union and its member states are investment, trade, financial and technical assistance, high technology transfer, science and technology, education, ecology, tourism, health and culture, as well as regional security strengthening.

During 2014-2020, the financial assistance of the European Union to Uzbekistan amounted to 168 million euros, which increased by 124% compared to the period of 2007-2013.

Economic and trade relations between Uzbekistan and the European Union are developing at a steady pace. The volume of trade between the parties amounted to 4.613 billion euros in 2022. However, the possibilities of bilateral trade relations are endless.

The removal of duties on two-thirds of the products covered by GSP will create opportunities for the growth of exports and attracting more investments to the country. This contributes to the position of Uzbekistan as a more reliable and promising economic partner. GSP+ gives investors and representatives of the private sector from EU countries a strong incentive to implement promising projects in Uzbekistan, and also creates a solid foundation for diversification and rapid development of trade and economic relations between Uzbekistan and EU countries.

CONCLUSIONS

In conclusion, it can be said that the fundamentals of the integration of the national economy into the world economy and the identification of specific features of the development of mutual trade and economic relations with the European Union, the research of the development trends of this process is an urgent task. Establishing and expanding bilateral relations with EU member countries is also important for Uzbekistan. In addition: attracting EU companies to participate in the implementation of various investment projects; establishment of joint ventures; It is necessary to establish mutually beneficial cooperation in food, cotton fiber processing and production of clothes and shoes, in the field of pharmaceuticals, in the field of communication, in the reform of the banking sector, and in a number of areas. First of all, such cooperation should be aimed at economic development.

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