

## **EU-Uzbekistan Economic and Trade Relations - Priority Directions under the Uzbekistan-2030 Strategy**

### Event Report

On 21 September 2023 the European Institute of Asian Studies (EIAS), the Development Strategy Center of Uzbekistan and the Embassy of the Republic of Uzbekistan in Brussels had the pleasure of organising a Closed-Door Expert Roundtable Discussion on “EU-Uzbekistan Economic and Trade Relations – Priority Directions under the Uzbekistan-2030 Strategy”. The roundtable discussion delved into the new “Uzbekistan Strategy 2030”, discussing its contents, Uzbekistan’s economic development reforms and identifying potential for increased EU-Uzbekistan trade relations. Lin Goethals, EIAS Director, acted as the discussion’s chair and united a number of distinguished speakers. Following the Chatham House rule, this report will not include any direct citations of what has been discussed, nor name any of the participants.

The Uzbekistan Strategy 2030 has been adopted by presidential decree after being discussed with the international community to ensure its adherence to international standards. The strategy entails five priority areas, namely social protection, economic development, conservation of resources and environmental protection, the rule of law and the establishment of a public administration, as well as foreign affairs and security issues. As for social protection, Uzbekistan is emphasizing capacity building in the medical sector to increase the coverage of medical services throughout the country. Furthermore, the ambitious goal is set to raise the average life expectancy of the population to 78 years. In regards to education, Uzbekistan is orienting its education system on the European model, introducing pre-school education, as well as double degree programs in universities. Furthermore, Uzbekistan hopes to attract more foreign education institutions.

As for economic development, Uzbekistan aims to bring its GDP to a total of 160 billion USD, and to raise the per capita income to 4 thousand USD. To achieve these objectives, the share of non-state actors in the economy will need to increase significantly. While at present the state remains highly involved in the Uzbek economy, the 2030 strategy emphasizes the necessity of the reduction of state involvement and will promote the privatisation process. Until 2023, Uzbekistan is part of the EU’s Generalised Scheme of Preferences Plus (GSP+), enjoying EU import duties to be cut to zero. As the GSP+ is set to expire in 2023, Uzbekistan hopes for an extension. In addition, Uzbekistan plans to attract 110 billion USD of foreign investment in the future, as well as to pursue economic diversification, decreasing its reliance on other partners.

The strategy’s third priority area emphasizes the conservation of resources and environmental protection. For Uzbekistan and other central Asian countries, water scarcity in relation to climate change has posed an increasing problem. As a “downstream country”

Uzbekistan is dependent on water from rivers flowing through the “upstream countries” Kyrgyzstan and Tajikistan. The disruption of water flow in upstream countries through the building of for instance dams, can leave Uzbekistan particularly vulnerable to water constraints and increase border conflicts. While Uzbekistan has already settled its border issues with Kyrgyzstan, it has not yet come to such an agreement with Tajikistan. As active measures to conserve its water resources, Uzbekistan aims in its 2030 strategy to increase its water use efficiency by 25%, and switch to the production of water-friendly commodities such as fruits instead of rice. However, to tackle the challenges climate change and the threat to food security pose for Uzbekistan and the central Asian region, Uzbekistan is hoping for technological cooperation with EU countries.

To ensure the rule of law, and establish a more efficient public administration, Uzbekistan is introducing a “Mahalla budget” system. The Mahallas refer to the state administrative units that denote the means by which people obtain access to public goods or services. The Mahalla budget system will consist of a non-governmental administration whose accountability is ensured through an election system. Furthermore, the 2030 strategy stresses that through the optimization of legislative acts 30% of regulatory burdens will be removed. After the structural reforms of the Mahalla, Uzbekistan has now moved on to financial and tax reforms of the system. However, some questions regarding the accountability of the Mahalla remain in place.

As for Uzbekistan’s foreign affairs and security issues, the 2030 strategy reaffirms Uzbekistan’s principle of “a safe and peace-loving state”. Described as an opening-up of the country, Uzbekistan now allows for simplified visa processes and increases regional connectivity and flow of goods through the middle corridor and the China-Kyrgyzstan-Uzbekistan rail, diversifying its transportation routes. The Trans Afghanistan railway connector is a good opportunity for Uzbekistan to connect to the Middle Corridor. Despite the still relatively low capacity (5%) of the middle corridor, Uzbekistan hopes to gain increased access to the European market through it in the future. Furthermore, for Uzbekistan the China-Kyrgyzstan-Uzbekistan rail fosters its bilateral relations with both parties and connects the landlocked country to West Asia and the Middle East.

The key takeaway from the roundtable discussion is Uzbekistan’s will to diversify and push for reform, while fostering enhanced cooperation with European countries. By strengthening its legal foundations and pushing economic reforms to minimize state influence in the sector, Uzbekistan seems to be taking steps to also deepen its relations with Europe.