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NEW APPROACHES TO ECONOMIC COOPERATION BETWEEN KAZAKHSTAN AND UZBEKISTAN

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Abstract. The article discusses new approaches to economic relations between Kazakhstan and Uzbekistan, assesses the development of bilateral economic relations at the present stage, tells about the impact of new foreign policy initiatives of the President of Uzbekistan Shavkat Mirziyoyev on bilateral relations. In the article, the author reveals a brief evolution of bilateral economic relations from the 2000s to the present. Comparing the policy of the first head of Uzbekistan Islam Karimov and the current President of Uzbekistan Shavkat Mirziyoyev, the author described the level of development of Central Asian integration at this stage. The author believes that Kazakhstan's relations with Uzbekistan are always open and aimed at integration. However, as a result of Uzbekistan's excise policy pursued by Karimov, relations between Kazakhstan and Uzbekistan were of the nature of mutual understanding, friendship, and the volume of mutual trade developed slowly. For example, if in Karimov's leadership in the 2000s, the annual trade turnover of the two countries amounted to \$ 295.4 million, then in 2021, at Mirziyoyev's initiative, for 4 months after Uzbekistan stopped applying excise taxes on transported goods, the bilateral trade turnover for January-April amounted to \$ 1.2 billion. This is about 12 times more than in 2000. The author positively assesses not only the dynamics of bilateral trade turnover, but also the bilateral joint project being implemented at the present stage, achievements in the transport and logistics sphere.

Keywords: *Economic Relations, Kazakhstan, Uzbekistan, Region, Central Asia, Strategy, Foreign Policy.*

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ҚАЗАҚСТАН МЕН ӨЗБЕКСТАН АРАСЫНДАҒЫ ЭКОНОМИКАЛЫҚ БАЙЛАНЫСҚА ЖАҢА КӨЗҚАРАСТАР

Гүлнара Байкүшікова, Гүлзада Әпсаттарова

Аңдатпа. Мақалада Қазақстан мен Өзбекстан арасындағы экономикалық байланыстың жаңа тәсілдері талқыланып, қазіргі кезеңдегі екіжақты экономикалық қатынастардың дамуына баға берілген, Өзбекстан президенті Шавкат Мирзиевтың жаңа сыртқы саяси бастамаларының екіжақты қарым-қатынастарға тигізер әсері туралы баяндалған. Авторлар мақалада 2000 жылдардан бастап қазіргі кезге дейінгі екіжақты экономикалық қатынастардың қысқаша эволюциясын ашып көрсеткен. Авторлар Өзбекстанның бірінші басшысы Ислам Каримов және Өзбекстанның қазіргі Президенті Шавкат Мирзиевтың саясатын салыстыра отырып, бұл кезеңде Орталық Азиялық интеграцияның даму деңгейін сипаттаған. Авторлардың пайымдауынша, Қазақстанның Өзбекстанға болған қарым-қатынасы әрқашан ашық сипатта болып, интеграцияға бағытталған. Алайда, Өзбекстанның акциздік саясаты, Каримовтың жүргізген саясатының нәтижесінде Қазақстан мен Өзбекстан арасындағы қарым-қатынас өзара түсіністік, достық сипатында болып, өзара сауданың көлемі баяу дамыды. Мысалы, Каримов басшылығында 2000 жылдары екі елдің жылдық тауар айналымы 295,4 млн долларды құраған болса, 2021 жылы Мирзиевтың бастамасымен 1 қаңтардан бастап Өзбекстан тасымалданатын тауарларға қатысты акциздерді қолдануды тоқтатқаннан кейін 4 айдың ішінде қаңтар-сәуір айларындағы екіжақты тауар айналымы 1,2 млрд долларды құрады. Бұл 2000 жылдармен салыстырғанда шамамен 12 есеге көп. Авторлар тек екіжақты сауда айналымының динамикасын ғана емес, қазіргі кезеңдегі жүзеге асырылып жатқан екіжақты бірлескен жобаларды, көлік-логистика саласындағы жетістіктерді оң бағалайды.

Түйін сөздер: экономикалық қатынастар, Қазақстан, Өзбекстан, аймақ, Орталық Азия, стратегия, сыртқы саясат.

НОВЫЕ ПОДХОДЫ К ЭКОНОМИЧЕСКОМУ ВЗАИМОДЕЙСТВИЮ МЕЖДУ КАЗАХСТАНОМ И УЗБЕКИСТАНОМ

Гүлнара Байкушикова, Гүлзада Апсаттарова

Аннотация. В статье обсуждаются новые подходы к экономическим связям между Казахстаном и Узбекистаном, дана оценка развитию двусторонних экономических отношений на современном этапе, рассказывается о влиянии новых внешнеполитических инициатив Президента Узбекистана Шавката Мирзиева на двусторонние отношения. В статье авторами раскрыта краткая эволюция двусторонних экономических отношений с 2000-х годов по настоящее время. Авторы, сравнивая политику первого главы Узбекистана Ислама Каримова и действующего президента Узбекистана Шавката Мирзиева, описали уровень развития Центрально-азиатской интеграции на данном этапе. Авторы считают, что отношения Казахстана с Узбекистаном всегда носят открытый характер и направлены на интеграцию. Однако в результате акцизной политики Узбекистана, проводимой Каримовым, отношения между Казахстаном и Узбекистаном

носили характер взаимопонимания, дружбы, а объемы взаимной торговли развивались медленно. Например, если в руководстве Каримова в 2000-е годы годовой товарооборот двух стран составлял 295,4 млн долларов, то в 2021 году по инициативе Мирзиёева за 4 месяца после прекращения применения Узбекистаном акцизов в отношении перевозимых товаров двусторонний товарооборот за январь-апрель составил 1,2 млрд долларов. Это примерно в 12 раз больше, чем в 2000 году. Авторы положительно оценивают не только динамику двустороннего товарооборота, но и реализуемый на современном этапе двусторонний совместный проект, достижения в транспортно-логистической сфере.

Ключевые слова: экономические отношения, Казахстан, Узбекистан, регион, Центральная Азия, стратегия, внешняя политика.

Introduction

Central Asia, for a number of reasons, in particular energy resources and the development of transport corridors, is currently gaining key geopolitical importance. The main players in Central Asia with the economic potential to strive for regional leadership are Uzbekistan and Kazakhstan. Under current conditions, Kazakhstan's increasing interest, as the leading strategic partner of the Central Asian region, in relations with Uzbekistan is due to geopolitical and geo-economic reasons. The relations between the two republics in general are an integral part of the entire system of international economic relations in the Central Asian region. Therefore, the analysis of their relations is an important component for the development and understanding of contemporary processes in Central Asia. This study is based on the works of several foreign and domestic authors. Of the foreign authors, Martha Olcott, Marlene Laruelle and Sebastien Peyrouse are prominent authors in the study of Kazakh-Uzbek relations and Central Asia. From Uzbek researchers, the works of Farhod Tolipov and Murat Bakhadirov were used, and from domestic researchers, the works of M. T. Laumullin.

Research methods

The methodological means of research is based on structural analysis. This implies consideration of the Kazakh-Uzbek relations as a system, determination of its elements, connections

between them and the main properties, first of all, structure. In this regard, the most important elements of bilateral economic relations, the most important and structural problems of relations were identified in the course of the study, foreign policy positions of I. Karimov during the presidency and Sh. Mirziyoyev during the presidency were determined. The study also used qualitative and quantitative methods used in the analysis of international relations and foreign policy issues. In particular, a content analysis of domestic and foreign open information, scientific and political sources on the issues of Central Asia, relations between Uzbekistan and Kazakhstan, bilateral economic relations in the changing conditions of world politics and economy were conducted.

The main focus

Kazakhstan and Uzbekistan are the largest trading partners of Central Asia. The potential for trade development with Uzbekistan is associated with the geographical proximity, established transport infrastructure, as well as the existence of a free trade regime between the countries. Based on bilateral and multilateral agreements signed between Kazakhstan and Uzbekistan, there is free trade without customs duties and restrictions.

Uzbekistan and Kazakhstan occupy an important place in Central Asia, Nur-Sultan and Tashkent have the resources to become leaders in the region. These states differ in economic indicators, demographic resources, armed forces,

and also differ in the formation of foreign policy and foreign economic course.

Uzbekistan and Kazakhstan follow different models of economic development. According to experts from the Asian Research Institute, Uzbekistan "is one of the few countries in the world where direct state regulation of the economy is largely preserved. This country has not classically undergone market reforms. Uzbekistan is not integrated into the world economic system like most other countries of the world. It lived by its own rules, a mixture of Soviet planned economy and spontaneous market" [1]. Kazakhstan, unlike its southern neighbor, is the most integrated into the world economy. Kazakhstan's "multi-vector" policy is designed to be included in global processes. Kazakhstan's economic openness strategy will contribute to the competitiveness of Kazakhstani products compared to Uzbek goods.

The problem of foreign economic relations between Kazakhstan and Uzbekistan in modern conditions are among the urgent and important ones. However, recently the trade and economic cooperation between Kazakhstan and Uzbekistan has demonstrated a steady dynamic of positive development. If we consider bilateral economic relations step-by-step, the first decade of the XXI century saw a steady growth in the volume of bilateral trade between 2003 and 2012. Thus, in 2003 the trade turnover between the two countries amounted to \$295.4 million (an increase of -12%), in 2004 - \$425.8 million (44%), in 2005 - \$497 million (15.8%), and in 2011 it increased by 24% as compared to 2010 and reached \$1.941 billion. During the 10 months of 2012, bilateral trade reached \$1.7 billion, an increase of 10.8% compared to the same period in 2011. During this period, the two countries had significant potential for increasing trade and economic cooperation. For example, the most promising areas of cooperation in the economic sphere are expansion and stimulation of direct contacts of entrepreneurs and administrative-territorial entities, simplification of customs and border clearance procedures, efficient use of

transport communications and water and energy resources, cooperation in the sphere of mutual investments, free movement of capital and labor, processing and supply of agricultural products and much more.

The main reason for the growth in the dynamics of foreign trade is the growth of the economies of the two countries, as well as the development of regional integration processes. The two sides have a robust trade treaty base comprising more than 60 interstate, intergovernmental and interdepartmental documents covering all spheres of economic cooperation.

The parties signed the main documents - the treaty establishing the Common Economic Space between the Republic of Kazakhstan and the Republic of Uzbekistan of February 7, 1995, the agreement on the encouragement and mutual protection of investments of February 2, 1997, the Program of Economic Cooperation for 2006-2010, the strategy for economic cooperation for 2007-2016, and a number of documents in the field of customs affairs, banking sector, etc. [2].

Kazakhstan exports to Uzbekistan mainly food products, energy, ferrous and nonferrous metals, chemical products, and plastics. Uzbekistan supplied Kazakhstan with energy carriers, cotton fiber, ferrous and nonferrous metals, machinery and equipment, chemical products and plastics, and construction materials. The development of cross-border trade has a significant impact on mutual trade turnover between the countries. In this connection Kazakhstan has built a new railway station in the city. New warehouses were reconstructed and built for the transportation of goods by rail, and a transport and logistics center was opened at the Arys station [3].

Since 2005, there has been a trend towards a significant increase in the number of enterprises with the participation of Kazakh and Uzbek capital. In general, both sides recognized that there is great potential for further development of mutually beneficial trade and economic relations. The two leaders instructed government agencies to take necessary measures to remove barriers to

trade. Although some work had been done during this time, there were many reserves in the matter. The year 2010 was fruitful for cooperation between Kazakhstan and Uzbekistan. The trade turnover between Kazakhstan and Uzbekistan grew by 43% year-on-year and reached \$1.2 billion.

The economic relationship between Nur-Sultan and Tashkent received a major boost after Mirziyoyev became president of Uzbekistan in late 2016. Immediately after coming to power in September 2016, Mirziyoyev announced sweeping changes and made sure not to mess with the harsh regime of former Islam Karimov. Liberal reforms began in Uzbekistan's economy, the first signs of freedom of speech appeared, and the political elite began to rebuild ties with society and other countries. In addition, Tashkent resumed the regional dialogue in which the heads of the five Central Asian countries met in 2018 and 2019. In addition, Mirziyoyev began to convince the world that investment in the Uzbek economy is now profitable and safe. The government has unified exchange rates, allowed foreign exchange transactions, reformed the banking sector and removed many administrative barriers for foreign investors. Since 2017, Uzbekistan's economy has opened up to the international scene. In 2017 alone, trade turnover between the two countries grew by 31.2% at once and reached the level of \$2 billion. In 2017, exports from Kazakhstan to Uzbekistan grew by 35% to \$1.3 billion. Imports from Uzbekistan to Kazakhstan grew by 25.1% and amounted to 735.2 million dollars.

Uzbekistan produces 20% of Central Asia's GDP and is home to 45% of the population. From 2016 to 2019, trade turnover grew from \$1.8 billion to \$4.1 billion. The country is rich in natural resources and has a developed production base. The structural changes initiated by Uzbekistan's leadership in 2017 have significantly improved the country's investment climate and increased the potential for attracting external financing for economic development. The reorientation of the Uzbek authorities toward an open foreign policy

has increased the potential of the entire Central Asian region as a whole. The implementation of cross-border transport, logistics and energy projects in the region will open up new corridors to the rapidly developing markets of Asian countries.

At the same time, Uzbekistan, using the excise policy until 2017, actually represented the export interests of Kazakhstan, protecting the domestic market from imports of 3,242 items, including more than 800 goods. In the course of bilateral meetings at various levels, the issue of Uzbekistan's abolition of excise duties on goods imported from Kazakhstan was raised. As a result of such negotiations, the level of excise duties was reduced with regard to the most priority export goods. At the end of June 2018, a new presidential decree was issued, according to which excise tax on imports to Uzbekistan will be applied to 750 commodity items at mark 10 of the TN VED from January 2019. Of these, 463 commodity items relate to agricultural products and 287 to industrial products.

As a result of Uzbekistan's excise policy reform, the number of items of Kazakhstani products, which will be subject to excise duties, decreased from 208 to 50 from January 1, 2019.

Kazakhstan's trade turnover with Uzbekistan in the first 10 months of 2018 amounted to \$2 billion. This is 30.9% higher than in the same period of 2017 (\$1.6 billion). At the same time, exports from Kazakhstan to Tashkent for the said period amounted to \$1.3 billion, which is 30 percent higher than for the same period of 2017 (\$1.6 billion). And in January-September last year, Uzbekistan received \$960.3 million, an increase of 37.6% [4].

Kazakhstan and Uzbekistan today demonstrate exemplary relations aimed at mutually beneficial cooperation. The countries attach special importance to the integration of the Central Asian region and the development of economic ties. It should be noted the establishment of a working group to develop proposals to mutually increase trade turnover between the two countries, as

a result of which the parties shared lists of promising products for supply to Kazakhstan and Uzbekistan.

As part of the Ministry's export promotion, the Kazakhstan-Uzbekistan Business Forum was held in Shymkent on May 22, 2018, with the participation of more than 600 entrepreneurs of the two countries. B2B meetings were held within the framework of the Business Forum. As a result of the B2B meetings a contract for 62 million US dollars was signed.

On October 15-16, 2018, a trade and economic mission was organized in Tashkent with the participation of 29 Kazakh companies. As a result of the event, an agreement for 20.9 million USD was concluded. On October 17-18, 2018 in Tashkent, a national stand in the field of technologies, equipment, as well as agricultural, food and horticultural products was organized within the trade exhibition "Expocentre" with the participation of 29 Kazakh companies. The event resulted in the signing of export contracts worth USD 1.6 million. Also, the Kazakh company "Alina" LLP took part in the international specialized exhibition "UzStroyExpo-2018", which was held from October 31 till November 2 in Tashkent.

Thanks to the conditions created for business, the number of joint Kazakh-Uzbek enterprises is growing day by day. "Successful examples of such cooperation are the projects on joint assembly of cars, trucks and other equipment in Kazakhstan.

In January-February 2019, trade turnover with Uzbekistan was \$433.5 million - an increase of 16.5% over the same period a year earlier. In January-February 2019, exports from Kazakhstan to Uzbekistan increased by 29.6% to \$353.4 million.

The main exports were wheat and meslin (a mixture of wheat and rye) (\$72.2 million, +26.8%), crude oil and oil products (\$35.8 million, an annual increase of 3.4 times) and semi-finished iron or steel products (\$27.6 million, +28.1% year on year).

By contrast, imports from Uzbekistan fell 19.4% to \$80.1 million in January-February 2019. The main imported goods were lead ores and concentrates (\$14.1 million), polymers of ethylene in primary forms (\$10 million, +7.1% annually) and fresh or dried grapes (\$4.8 million, +21.2% annually).

Kazakhstan is among the top three trade partners of Uzbekistan. According to Uzbekistan's Ministry of Investment and Foreign Trade, trade turnover with Kazakhstan totaled \$3.32 billion or 8% of the country's total foreign trade turnover in 2019. Significant impetus was given to cooperation in the financial sector. Representative offices of Kazakhstan's two largest financial institutions, the Bank of tenge and the export-insurance company KazakhExport opened in Tashkent.

In addition, the transport interaction has been actively developing. According to the State Statistical Committee of Uzbekistan, the largest inflow of foreign citizens arriving to Uzbekistan in 2019 was from the Republic of Kazakhstan - 2.4 million people (29.7% of arrivals). Kazakhstan received 5.4 million Uzbeks (42.4% of those traveling abroad). Due to the increased frequency of traffic, Kazakhstani air carriers AirAstana and SCAT plan to increase the number of flights between the republics. Opening flights to Samarkand, Bukhara, Urgench, Karshi, Namangan, Termez and Nukus are discussed. In 2019, the number of flights between the countries increased to 32 per week. In addition, the organization of high-speed passenger traffic is under consideration.

There is active communication between the two countries at the regional level. With the opening in 2019 of the international road Beyneu - Akzhigit - Uzbekistan border, the connections of the western territories of the Republics have been strengthened, Uzbekistan has achieved rapid access of its goods to the markets of Russia and the Caucasus countries [5]. There are plans to create a Center for International Trade and Economic Cooperation on the border of the

states, which will strengthen interaction between the border areas. Work is underway to expand the logistical capacity of neighboring states. The reconstruction of the major border crossing point "B. Konysbaev - Yallama," where the most favorable conditions for crossing the state border are created, is nearing completion. The partnership of Kazakhstani and Uzbek regions has become the basis for the formation of a new platform of interaction-Forum of Interregional Cooperation between Uzbekistan and Kazakhstan. During its two sessions in Shymkent and Urgenish more than 50 investment agreements worth over 7,700 million US dollars were signed.

During the official visit of Kazakh President Kassym-Jomart Tokayev to Tashkent in April 2019, the heads of state identified the development of cooperative ties and joint business projects as one of the priorities.

The flagship of Kazakh-Uzbek cooperation is Uzautomotors for the production of Ravon cars in Kostanai and the SaryarkaAvtoProm production site. In 2019, more than 5 thousand cars were assembled. In 2020, production of the new Ravon R4 model was launched, and in March 2020, the heads of governments launched a joint project to assemble five new models.

In 2019, the Kazakh-Uzbek Alliance Trading and Industrial Company launched a joint textile enterprise in Shymkent. Meanwhile, Dentafill Plyus, an Uzbek company, is implementing a project to build a medical production facility there. An investment project in Turkestan to produce agricultural machinery, textile production of the Tashkent tractor plant and creation of a horticultural cluster in the desert area based on Uzbek irrigation technology is nearing completion.

Kazakhstani business is increasing its presence in Uzbekistan both at the expense of exports and at the expense of creation of joint ventures. Kazakhstani investors are active in the Uzbek market and plan to implement 13 projects worth \$37.9 million by 2022. According to the data of the Embassy of Uzbekistan in Kazakhstan, 809

enterprises with Kazakhstani capital operate in Uzbekistan. The Kazakhstani BI Group, which builds housing in Tashkent, operates in Uzbekistan. Ecoton CO LTD is building a plant to produce aerated concrete and slabs in the Angren free economic zone.

The coronavirus pandemic led to a 14% decline in production and trade in the first quarter, although the market has revived and identified the need for various commodities and the feasibility of co-production. The main thing is that today there are favorable political, cultural and humanitarian conditions for the development of full-fledged Kazakh-Uzbek cooperation [6].

Kazakhstan attaches particular importance to cooperation in investment, currency, food, rural, transport, scientific and technological spheres, cross-border trade, textile and oil and gas industries and a number of others. Kazakhstan buys more than 1.5 billion cubic meters of gas annually from Uzbekistan to provide natural gas to the southern regions [7]. In Uzbekistan, there are 124 enterprises with the participation of Kazakhstani investments, including 28 with 100% Kazakhstani capital, and 48 joint ventures. They operate in sectors such as trade, construction, food, engineering, light industry, and metal processing.

In Kazakhstan, there are 715 small and medium-sized enterprises with the participation of Uzbek capital. They work in manufacturing, trade, food industry, construction materials, furniture, glassware, real estate and entrepreneurial activities. Kazakhstan and Uzbekistan successfully cooperate within the framework of multilateral cooperation. Both countries are members of the CICA, SCO, EurAsEC, APC CIS, as well as transport corridors TRACECA and North-South [8].

At regular meetings between the two heads of state, they expressed mutual confidence that cooperation between Uzbekistan and Kazakhstan in various areas would continue to develop consistently, as well as in the comprehensive deepening and expansion of regional cooperation

in Central Asia. The sustainable development of the economies of the two countries, which have recently gained impressive growth rates, urgently requires strengthening trade and economic and production ties between economic entities [9]. Mutual investments in the economies of the two countries will contribute to the development of infrastructure, the formation of modern industries and the creation of new jobs, which will have a positive impact on the prospects for sustainable development of both Kazakhstan and Uzbekistan.

It is very important for Uzbekistan that Kazakhstan enters deeper into European and Asian economic processes. Kazakhstan is a member of the WTO; Uzbekistan is also trying to join this organization, taking into account the experience of its neighbor. Kazakhstan is increasingly using its ties with China and its "transit" geographical position on the road between Europe and Asia. Thus, bilateral relations act as part of a broader and potentially powerful process of including the leading Central Asian countries in the international division of labor and integration. The automobile industry is implementing a common project to export to foreign markets, primarily within the EAEU. Joint production of cars with electric motors has been launched in Kostanai.

Of particular importance is the further development of economic relations not only in these spheres, but also interaction in the transport and logistics sphere and the possibility for China to join the global project "New Silk Road". From this point of view, the parties have agreements on the joint development of rail and air transport. The construction of an international transport and logistics center ("Dry Port") at the border between the two countries is being considered.

In 2017, mutual transportation by rail increased by 8%. And in January-February 2018 alone, the volume of traffic increased by 44% compared to the same period in 2017.

Close economic cooperation is facilitated by knowledge sharing, scientific and cultural ties between different population groups. Kazakhstan's initiative to hold the Interregional

Cooperation Forum on a permanent basis has been adopted.

2018 was declared the Year of Uzbekistan in Kazakhstan with more than 200 events on the themes of economy, tourism, cultural and humanitarian exchange. Next year, 2019, in turn, became the Year of Kazakhstan in Uzbekistan.

Trade turnover between Kazakhstan and Uzbekistan in January-April 2021 amounted to \$1.2 billion, which is 41.3% higher than in the same period last year. In January-April 2021 exports from Kazakhstan to Uzbekistan rose by 54% to \$899.2 million and in total trade turnover between Kazakhstan and Central Asian countries in 2020 was \$4.6 billion.

Uzbekistan has the highest imports to Kazakhstan among Central Asian countries. In 2020, it amounted to \$783.1 million. In June this year, during a working trip of the Minister of Trade and Integration of the RK to Uzbekistan and Tajikistan, Kazakhstani businessmen signed 6 contracts for \$3 million for pilot supplies of various products. For example, the contract on purchase of Uzbek cherries for 500 thousand dollars, contract on delivery of fruit and vegetable products to Kazakhstani trade networks from Gafurov district of Sughd region. During the talks, they also discussed the construction of trade routes/corridors. The Uzbek side applied excise taxes on a number of products during transportation until January 1, 2021, which did not affect the volume of mutual trade in the best way. The main excisable goods were automotive gasoline, diesel fuel, fuel oil, motor oil, compressor oil, parts of washing machines, confectionery products and flour. Such measures to regulate foreign trade activities were applied by Uzbekistan equally to all the member countries of the CIS free trade zone agreement.

From January 1, Uzbekistan stopped applying excise duties on transported goods. In January-April 2021, Uzbekistan exported 85 commodity items at 10 of TN VED in the amount of \$50.3 million, which fell under the excise tax on imports. In January-April 2020 the volume of exports of

these goods amounted to \$28.9 million, i.e. there is a 74.3% increase in exports of excisable goods from Kazakhstan to Uzbekistan after Uzbekistan abolished the excise tax on imports. In 2020 exports of confectionery amounted to \$601.6 thousand, and in January-May 2021 exports rose by 60.3% to \$964.2 thousand. Flour exports in 2020 amounted to \$25.3 thousand, and from January to May 2021 exports rose by 33.3% to \$33.7 thousand.

At the same time, the issue of Uzbekistan's application of the country-producer agreement remains. In accordance with the Treaty on the CIS Free Trade Zone, Kazakhstan and Uzbekistan do not apply customs duties to mutual trade provided that the provisions established by the Rules for determining the origin of CIS goods in 1993. It should be noted that not all Kazakhstani goods sufficiently meet the criteria for processing the provisions of 1993, respectively, such products fall under import customs duties in Uzbekistan. In this regard, the bilateral are actively negotiating on the accession of Uzbekistan to the CIS rules of 2009. Currently, Kazakhstan applies the 1993 rules for transportation of Uzbek goods.

Also, an agreement has been reached on a guaranteed supply of Kazakhstani goods worth 50 million dollars on the shelves of Uzbek stores. Within the framework of commercial and economic mission of business circles, more than 55 Kazakhstani companies presented their products to potential partners from Uzbekistan. Currently, more than 50% of Uzbekistan's trade turnover passes through Kazakhstan. According to the Asian Development Bank, trade between regions and transit trade along existing corridors will increase by 35 percent in 2025 and 65 percent in 2030, compared to 2019 levels. At the same time, the load on existing checkpoints will almost double.

Kazakhstan expressed its proposal to create goods at the border in order not to increase the load on border checkpoints and without transporting a large number of goods across the border. Kazakhstan is currently reviewing the

concept of further development of the "Khorghos Hub", is working on the launch of border hubs with Russia with further access to the EAEU and EU markets. Export contracts for pasta, apple juice and mixed fodder supply to Uzbekistan were also concluded. A striking event was the conclusion of an agreement between JSC "Qaztrade" and Kazakhstan's largest trade and retail network "Magnum" to increase the supply of Kazakh products to Uzbekistan in 2021 by 50 million U.S. dollars [10]. Negotiations to promote exports have been underway for a long time, and today they ended with an agreement to increase the representation of Kazakhstani products on the shelves of Magnum stores in Uzbekistan. Now Kazakh producers can enter into direct contracts for supply to the Magnum-Uzbekistan network. Promotion of goods through trade networks today is one of the most effective tools of trade, including cross-border trade.

Research results

As a result of the study, the theoretical tools used in the study and analysis of economic relations between Kazakhstan and Uzbekistan, foreign policy decision-making and international relations in general were significantly enriched. The stages of development and the main achievements of bilateral economic relations were revealed, and the factors negatively affecting the development of bilateral relations were identified. In the course of the study, the main problems of Kazakh-Uzbek relations were identified and their main concepts were analyzed.

Discussion of the results

Undoubtedly, the development of economic relations between Kazakhstan and Uzbekistan will affect not only the positive dynamics of bilateral relations, but also the processes of interaction in Central Asia. The positive changes that have occurred in recent years in bilateral relations and the new dynamics of cooperation are now bearing fruit. Trade in Central Asia has grown significantly, air, road and rail routes are

opening, checkpoints are being modernized and infrastructure projects are being implemented. Intra-regional economic ties have been strengthened, borders are being agreed upon, and water resource management and environmental issues are being addressed together.

Conclusion

Summing up, it can be said that the dynamic development of economic ties between Kazakhstan and Uzbekistan in recent years has been influenced by the application of new approaches. Mirziyoyev's strategy towards Central Asia has contributed not only to the intensification of economic ties between Kazakhstan and Uzbekistan, but also to the

strengthening of Central Asian integration. For example, in 2018, a Kazakh-Uzbek business forum with the participation of more than 600 entrepreneurs resulted in the signing of a \$62 million contract. Thanks to the conditions created for business, the number of joint Kazakh-Uzbek enterprises is growing day by day. There are 809 enterprises with Kazakhstani capital operating in Uzbekistan, as well as Kazakhstan's BI Group, which builds housing in Tashkent. Kazakhstan and Uzbekistan successfully cooperate not only at the bilateral level, but also within the framework of multilateral cooperation. Both countries are members of the CICA, SCO, EurAsEC, CIS ATC, as well as TRACECA and North-South transport corridors.

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