

“Uzbekistan and Azerbaijan: Strategic Partnership in Action”



Comprehensive development of relations with Azerbaijan is one of Uzbekistan's key foreign policy priorities.

It is worth recalling that, at the initiative of the President of Uzbekistan Shavkat Mirziyoyev, the current year was declared the year of intensive development of Uzbek-Azerbaijani multifaceted relations. As a result, thanks to systemic and productive contacts, cooperation between our countries has not only noticeably strengthened, but also been supplemented by new areas of interaction.

The general tone of relations and new guidelines for the mutual rapprochement of our countries and peoples are set at the highest level. In this regard, 2017 can be called the starting point for the intensification of dialogue between the two countries' leaders, who in turn “dropped” clear forms to all levels of interaction. As a result, the exchange of delegations only through ministries, departments, parliaments, and significant public associations over the past five years has exceeded 60.

The dynamics of Uzbek-Azerbaijani cooperation are most clearly demonstrated by the emerging bilateral contractual and legal framework, which already includes 169 agreements today. The flagship document was the Declaration on deepening strategic partnership and increasing comprehensive cooperation between the Republic of Uzbekistan and the Republic of Azerbaijan. It provides for the development of about 40 key areas of bilateral cooperation.

One of the practical results of its implementation was the launch of the Interregional Forum. It was held for the first time in 2023 and was marked by creating a joint investment fund for \$500 million. Following the results of the second forum, Memorandums of Understanding and Cooperation in the Trade, Economic, Cultural and Humanitarian Spheres were signed between major cities of the two countries, and investment agreements were concluded in the agriculture and textile industries.

It is indisputable that Uzbekistan and Azerbaijan increasingly view each other as economically promising

partners, which confirms the growing mutual demand for expanding ties from large and small businesses. It is enough to look at the dynamics of bilateral trade to understand the scale of mutual interest. Over the past 5 years, it has shown a threefold increase, reaching \$232 million by the end of 2023, and since the beginning of 2024, it has increased by another 15%. The bar has been set to bring this figure to \$1 billion.

Progress is also observed in the sphere of investment cooperation. In recent years, the number of joint ventures has increased fivefold. Today, over 240 companies with Azerbaijani capital operate in Uzbekistan. They mainly operate in financial and IT services, wholesale and retail trade, food, hotel business, and education.

The presence of Uzbek companies in the Azerbaijani market is also expanding – their number is reaching 70. Based on joint experience, projects have been launched to produce cars, textiles, and silkworm clusters in Azerbaijan and manufacture plasterboard and jewelry in Uzbekistan.

Our countries are developing a new and broader agenda of cooperation in various sectors of the economy. First, they are deepening trade relations by substituting imports from third countries with products that we can trade with each other, taking into account the complementarity of our economies.

Such cooperation is even more relevant in the context of global instability and disruption of supply chains for essential products.

Second, this is the implementation of joint industrial cooperation projects in light industry, agriculture, pharmaceuticals, electrical engineering, mechanical engineering, chemical, and jewelry industries using the advantages of the FEZ. As an example, we can cite the successful work on the production of passenger cars in the Gadzhigabul district. Uzbek companies plan to begin producing trucks, buses, and agricultural machinery in Azerbaijan.

The two countries' common approaches to their internal development strategies and the presence of colossal production, technological, human, and natural resources open up opportunities for Uzbekistan and Azerbaijan to further jointly implement various cooperation projects, for example, in the electrical engineering industry. Today, Azerbaijan produces 50,000 tons of aluminum per year, which is mainly exported in unprocessed form. With joint coordination, it can be used as a raw material for the production of electrical products, including for export to third countries.

Strengthening cooperation between manufacturers of the two countries in the production of competitive products fits into the logic of the internal development goals of both Uzbekistan and Azerbaijan.

Uzbekistan has set a goal to increase the share of finished products in the export structure by 3.3 times in the next seven years. Oil products account for a large share of Azerbaijan's exports, and Baku, the development of the non-oil sector of the economy, is also relevant.

In this regard, expanding industrial cooperation between the two countries' manufacturers and creating joint ventures for the production of competitive products will only contribute to achieving these objectives.

In addition, Uzbekistan and Azerbaijan have agreed to create a joint commercial online platform to facilitate the expansion of bilateral economic ties. This mechanism will act as an additional tool for entrepreneurs on both sides to find necessary partners and generate new projects of trade and economic cooperation.

Among the priority tasks of the Uzbek-Azerbaijani partnership is strengthening cooperation in the energy sector. In 2022, Tashkent and Baku adopted an action plan to expand cooperation in the energy sector. It covers 30 areas, including establishing a Joint Working Group, cooperation in Azerbaijan's liberated territories, and participation of Uzbek companies in renewable energy projects.

Thus, Uzbekneftegaz and SOCAR cooperate in the joint development of oil fields in Azerbaijan and Uzbekistan and implementing projects in the oil and gas sector. The companies plan to develop three

hydrocarbon fields in Azerbaijan jointly. The process of Uzbekneftegaz's entry into the Shah Deniz gas condensate project on the Azerbaijani shelf of the Caspian Sea is in its final stage.

Uzbekistan, Azerbaijan, and Kazakhstan have also agreed on a draft agreement on strategic partnership in green energy. This agreement envisages the creation of an energy corridor connecting Azerbaijan, Central Asia, and Europe. Within its framework, Uzbekistan is ready to export up to 5GW of green energy to European countries through Azerbaijan by 2030.

The need to diversify transport corridors and routes for the delivery of energy resources to world markets strengthens Azerbaijan's unifying role between Central Asia and Europe. It also actualizes the possibility of joint use of the potential of energy corridors.

Regarding joint steps to develop renewable energy sources, Uzbekistan and Azerbaijani companies have the necessary potential to establish cooperation in constructing solar power plants and producing important clean components in Uzbekistan. In the long term, this will increase the two countries' export capabilities, which is very important in the global transition towards renewable energy sources.

Joint experience in this area, if successfully tested, can subsequently be applied in Central Asia. The region not only has enormous potential for clean energy but also has one of the largest reserves of rare earth metals, the demand for which is steadily increasing in countries actively lobbying for the green agenda.

Uzbekistan and Azerbaijan share views on forming a ramified system of transport and logistics corridors. Our countries view this task as an essential factor in the growth of their economies. Considering this, the expansion of practical cooperation in the development of transport communications is beginning to occupy an increasingly high priority on the agenda of Uzbek-Azerbaijani interaction.

Uzbekistan is actively increasing transportation via Azerbaijan's infrastructure. According to forecasts by the Ministry of Investment, Industry and Trade of Uzbekistan, more than 1 million tons of Uzbek cargo will be transported in this direction this year. At the same time, the capabilities of the Baku-Tbilisi-Kars railway are being dynamically used. We expect to increase deliveries via this transport route, considering the recent completion of its comprehensive modernization and expansion of its capacity to 5 million tons annually.

The expansion of cargo transportation via the Baku International Sea Trade Port appears promising. Uzbekistan intends to create a warehouse infrastructure and build a separate terminal on the territory of the Baku port. Negotiations are also underway with Azerbaijan on implementing joint projects in shipbuilding and shipping.

In terms of achieving the objectives of providing the shortest land route from Asia to Europe, Uzbekistan and Azerbaijan aim to benefit from the use of their transit potential mutually. As its logistics capabilities expand, Tashkent seeks to increase port cargo transportation through Azerbaijan's infrastructure. Baku is interested in extending the planned China-Kyrgyzstan-Uzbekistan railway line to the Caspian Sea, connecting Azerbaijan with China and the South Asian region.

Today, relations between Uzbekistan and Azerbaijan are characterized by multifaceted, sustainable growth. They are based on mutual interests and cooperation in areas that benefit the peoples of both countries.

We are witnessing how the leaders of our states, Shavkat Mirziyoyev and Ilham Aliyev, constantly raise the bar for bilateral relations, which is developing cooperation between Uzbekistan and Azerbaijan into a genuine strategic partnership with broad opportunities.

Such strengthening of cooperation is not only a valuable asset for the development of bilateral dialogue, but also an essential factor in strengthening ties between Central Asia and the South Caucasus, creating a

favorable basis for developing economic, investment, and transport interaction within their framework. Providing these conditions will ultimately serve as a reliable guarantee for maintaining security and sustainable development of the entire vast macro-region.

Against this background, considering the cumulative effect of the strengthening partnership between Uzbekistan and Azerbaijan, both in the bilateral and regional dimensions, we expect that the upcoming visit of Azerbaijani President Ilham Aliyev to Uzbekistan will give additional impetus to deepening and enhancing multifaceted cooperation between the two countries, and will also have a positive impact on strengthening the connectivity of Central Asia and the South Caucasus.

Milana Bazarova,

Department Head at ISRS under the President of the Republic of Uzbekistan

Source