



ESTABLISHMENT OF ECONOMIC RELATIONS AND CURRENT STATE OF AFFAIRS BETWEEN UZBEKISTAN AND TURKEY

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Abstract

This article maintains the establishment of trade, economic and diplomatic relations between Uzbekistan and Turkey and economic changes over the years of independence as well as the investment and commercial activities of our country have many advantages and hence the investments made by Turkey.

Keywords: mutual cooperation, investment cooperation, economic relations, diplomatic relations, joint ventures, investment, innovative projects, startups, prospective projects

Introduction

After Uzbekistan gained independence, Turkey was particularly active in carrying out economic and investment cooperation with Uzbekistan, as well as social, cultural and diplomatic initiatives. Among the developed countries, Turkey became the first country to recognize the independence of Uzbekistan on December 16, 1991 as well as trade-economic and diplomatic relations were established between the two countries on March 4, 1992.[1] The most important aspects that give impetus to the implementation of the cooperation between Turkey and Uzbekistan are the presence of similarities in the language, culture, customs and history of these countries. In the process of our research, both quantitative and qualitative aspects were used in the coverage of Uzbek-Turkish economic relations.

Methodology

In this study, economic relations between Uzbekistan and Turkey were investigated. This study covered the economic transformation in 1992-2020 years. In the process of the study, systematic approach, abstract-logical analysis, factor analysis, induction and deduction methods were used effectively.





Analysis and Results

At the initial stage of relations with the state of Uzbekistan, Turkey faced a dilemma – Either to independently influence the region on the one hand, or to act on the other hand as an ally of European countries and especially the United States; the choice was made in favor of the second option. As for Uzbekistan, Turkey's desire to be an "intermediary" in establishing relations between it and the Western countries, in principle, did not correspond to its plans.

At the initial stage of Uzbekistan's independence, it established relations with the leading states of the United States and Europe, proving that at the end of January 1992 there were participants of the conference on security and cooperation in Europe, and a number of similar trade and economic relations can be cited.

At the present stage, the relations between Uzbekistan and Turkey are developing most effectively, bilateral relations are the most intense and give clear results in political, economic, trade, cultural-humanitarian and other spheres. Turkey is currently considered one of the five largest trade partners of Uzbekistan, as well as one of the main countries actively investing in the economy of our country.

We should note that today, Ankara and Tashkent are developing and deepening cooperation in all areas: from trade to culture, from energy to tourism. As an obvious example of this, we can cite that the number of joint projects is increasing day by day. [2]

In 1992, as a result of our analysis, we can see that it has increased to 17.5. Turkey's total exports to Uzbekistan amounted total 54483.12 thousand US dollars [3], by 2020 this figure amounted to 949.27 million.[4] It was US dollars. As a result of our analysis, we can see that this indicator has increased several thousand times.

Uzbekistan as a country with many advantages in investment and commercial activities is a country preferred by Turkish businessmen. In this respect, many Turkish companies and joint ventures are currently being established in Uzbekistan, and their number is approaching 450. Turkey's investments in our economy amounted to \$ 1 billion. Exceeded the US dollar.

As noted by the president of the Republic of Uzbekistan: "we are striving to further expand the activities of the advanced Turkish business in Uzbekistan, to increase the number of large – scale and important projects," the Prime Minister of our country said at the meeting of the government commission on trade and economic cooperation between Uzbekistan and Turkey on May 25, 2017.

In addition, in 2019, the minister of innovative development of Uzbekistan signed a memorandum of understanding with the delegation of the venture capital Council of the Chamber of Commerce and commodity exchanges of Turkey, which will





contribute at least 2 million dollars. The US dollar exchanged views on the need to establish a venture fund. In the documents which were initiated meeting of the Cooperation Council of Turkic-speaking states, the development of small and medium enterprises is defined as a priority task. This is done by creating joint technology parks, startups, innovation companies and enterprise companies. It is planned to study and apply the experience of the member states in this area, in particular Turkey. Along with the establishment of a joint venture fund, the parties agreed to implement investment and venture cooperation programs aimed at developing the innovation ecosystem of the two countries. In order to enter the capital of qualified investors, innovative projects, startups and other promising projects, a partnership for the collection and management of investments is being established.

On July 9, 2020, during the visit of the president of the Republic of Uzbekistan to the Republic of Turkey on October 25, 2017, the government agreement on mutual promotion and protection of investments entered into force. According to the terms of this instrument, the two countries had the most positive attitude to investments made by investors. The contract establishes the legal basis for the protection of investors rights, facilitating capital and technology flows and the free flow of money transfers. The document is intended to replace the previous government agreement on 28 April 1992, aimed at improving mutual promotion and protection of investments based on existing realities. The agreement provides a solid basis for mutual investment in the economy of the two countries, as well as increasing the attractiveness of both countries for investment in potential foreign investors. [5]

By 2020, the number of Turkish investors increased compared to 2017 year. Since July 1, 2020, 1406 units with Turkish capital in Uzbekistan, 801 of them are operating with 100% Turkish capital. [6]

Ziraat Bank: On the financial map of the country, the Uzbek-Turkish Bank Joint-Stock Company became the first financial and lending institution among commercial banks established with the involvement of foreign investments. It was founded in 1993 with the involvement of the capital of the two largest banks – Turkey's Ziraat Bankasi and Uzbekistan's Agrobank Joint-Stock Commercial Bank. For two decades, the Uzbek-Turkish Bank has proved to be one of the most successful banks in the Republic of Uzbekistan. A key to this was the desire for continuous development and high professionalism of the team, which is evidently expressed as our stable position in the banking sector. Today, the bank is at a new stage of development that will allow making the bank even more successful and will lead to a creation of new advantages for customers. Today at least two factors influence the bank activities. First, its work has been supplemented by the elements of operations of the oldest Turkish T.S. Ziraat





Bankasi, which wide experience and quality of services have long been recognized in the global financial and banking market. The second factor is the active assistance in the development of joint Uzbek-Turkish companies and Turkish representative offices accredited in Tashkent. The Uzbek-Turkish Bank has been actively working in the country for 20 years, and the Republic of Uzbekistan has long been successfully cooperating with business circles of various countries of the world demonstrating itself as the country with a rapidly developing modern commercial industry. The Bank more belongs to a universal category of banks that are active in the corporate segment. This refers to lending to companies, and above all, joint Uzbek-Turkish companies, small and medium-sized enterprises, private entrepreneurship, conducting and executing export-import operations. On November 30, 2017, Ziraat Bankası, as a result of the transaction on sale of shares of UTBANK JSC, fully redeemed a 50% stake from Agrobank and became a full owner of the Uzbek-Turkish Bank. [7] Following the agreement, Ziraat Bank, the sole shareholder of UTBANK, the State Bank of the Republic of Turkey, decided to rename the bank Ziraat Bank Uzbekistan.

Despite the mutual cooperation between our country and Turkey and the fact that Turkey has a growth trend over the years of the total expositions to Uzbekistan, today we can see some shortcomings and obstacles in the mutual cooperation between these countries.

The main reasons that deter Turkish and foreign investors in general are the provision of the rule of law, the local government can solve issues in its favor or in favor of someone else, as well as problems with the wrong attitude to private property. [8] Furthermore, there are also other factors such as the absence a sovereign credit rating, lack of well diversified stock exchange markets, difficulties of incorporation of high currency risks into valuation due to multiple exchange rates and complexities of future cash flow forecasting are the main problems making valuation difficult in Uzbekistan.

However, there are also ways that not only could handle with these problems but also enrich investment. Provide access to credit by reforming domestic financial markets. Setting-up a business-friendly financial system helps indigenous firms to respond to challenges and impulses from foreign entrants, to self-select into supplier status, and to thereby grow and prosper.[9]

Set up an Investment Promotion Agency (IPA). A successful IPA could target suitable foreign investors and could then become the link between them and the domestic economy. On the one side, it should act as a one-stop shop for the requirements investors demand from the host country. On the other side, it should act as a catalyst in the host's domestic economy, prompting it to provide top notch infrastructure and





ready access to skilled workers, technicians, engineers and managers that may be required to attract such investors.[10] Moreover, it should engage in after-investment care, acknowledging the demonstration effects from satisfied investors, the potential for reinvestments, and the potential for cluster-development because of follow-up investments. In 2020, COVID 19 infection also affected the economy of Uzbekistan, with rising unemployment and rising poverty, leading to a decline in production. In this situation, Uzbekistan has taken measures, one of which is the reduction of the social tax rate from 12% to 1%, and the reduction of taxes in some services to 0%. From this point of view, I think we encourage first-time foreign direct investors by reducing tax rates for them. that is, exempting or reducing for a certain period of time a certain type of tax on enterprises invested by foreign residents. Last but not least, it may also be because of financial reporting standard since our national ones is not the same as those of other countries. Accelerating the transition to international financial reporting will help investors make decisions. Why International Standards?! This is due to the fact that the International Financial Reporting Standard is an international language of business, which means that the report is designed in the interests of investors, through the established principle of comparability of enterprises. The purpose of this standard is to provide financial information to existing investors, lenders and other lenders that will be useful in making decisions about the provision of resources to the reporting entity.

Conclusion

In conclusion from the above, we should note that economic relations between Uzbekistan and Turkey have been developing for many years. Despite the sharp development of trade-economic and diplomatic relations between these countries in recent years, these two countries have been trying to increase trade routes(routes) by accelerating investment processes, as well as to increase economic efficiency to a higher level, in addition to the development of these relations.

It should be noted that in the last 4 years Turkish companies and their penetration of capital into Uzbekistan has increased significantly. By 2020, 1406 companies with Turkish capital and 801 of them operate with 100% Turkish capital in Uzbekistan. The fact that the volume of exports and imports is also growing year after year is the basis for a high peak in economic and political relations between these giants. Most of these are related to investment (from the private and economic side) and we concluded that the sooner these problems are solved between states, the faster economic growth will accelerate.





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