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RESEARCH ARTICLE

THE COLLABORATION BETWEEN UZBEKISTAN AND AZERBAIJAN IN TRADE-ECONOMIC SPHERE

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ABSTRACT

In the article some information about market relations" coming into being in Uzbekistan and Azerbaijan is given, and also the dynamics of bilateral collaboration of the two countries in trade-economic sphere is traced back. The information about the reasons impeding the development of these relations is given, the significance of bilateral interest of the countries to each other is revealed, which, as a result, led to mutually beneficial and fruitful collaboration between the two fraternal countries: Uzbekistan and Azerbaijan. The trade and economic relations of the Republic of Uzbekistan with the Republic of Azerbaijan were established in 1995, as a result of the establishment of diplomatic relations between the states. The intensification of relations began in 1996, when the TRACECA project arose, which contributed to the creation of the Transcaucasia corridor (via Turkmenistan to Baku and from there to Poti). In general, trade and economic relations between the Republic of Azerbaijan and the Republic of Uzbekistan are at a high enough level, cause mutual aspiration and interest of states to expand trade and economic relations in all possible spheres and directions.

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INTRODUCTION

Since the moment of gaining their independence Uzbekistan and Azerbaijan had begun to move in different development trajectories, gradually digressing from soviet heritage, and the common choice was market transformation. But the countries used different models of economic reforms, had different structural priorities, held the transformations in different rates, were included into international economic relations in different ways. All-round advantages of capitalistic world, which scored a brilliant victory over socialistic camp in "cold war", urged on newly created states to the choice of independent market economy based on private property. Starting this course, the states ran into one more problem – the problem of making a new choice. This time they had to choose one or another development model working inside the capitalistic world. More precisely, they had to make a choice between American, European and Asian models, connected with the development of politically-economic power centers, playing a decisive role in the world politics' establishing the world politics at that time. That's why in order to making their decision in the further way of development the states achieved their independence had to evaluate the existing straitened international and regional situation in the world

correctly, hold considered foreign policy to retain their sovereignty in the situation of the USA's, Russia's, European Union's, South-Eastern countries" interests contradiction. The two countries had a task – to choose one of the development models existing in contemporary world, having studied their strong and weak sides attentively, or to choose the way of development more fitting the specific conditions of their country, synthesizing certain sides of particular models.

MATERIALS AND METHODS

Coming into being of Uzbekistan's and Azerbaijan's economic relations: Economic relations between Uzbekistan and Azerbaijan began to weaken already at the end of the 1980s, when on the territory of the USSR the policy of regional cost accounting was attached. This led to a sudden decrease of interstate commodity exchange, as every region aspired to reserve the produced goods on their territories for domestic consumption, which is reflected in Table 1 given below. Some enlivening in economic relations between the two states traced back in 1991 during the visit of A. Mutalibov, the Azerbaijani President of that time, to Uzbekistan. On October 19, 1991 the Agreement about the principles of trade and economic collaboration during the year 1992 between the Republic of Uzbekistan and Azerbaijani Republic was signed and ratified¹.

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¹Central State Archives of the Republic of Uzbekistan Fund M-7. Inventory 1. Unit of storage 722. p 68 .

As A. Mutalibov noted: “Despite the USSR’s breakdown our republics don’t stop and will not stop concluding contracts in economic sphere. Uzbekistan received oil products and metal cutting machines, electric technical and lifting transport equipment, automobiles, fabrics and many other goods from Azerbaijan. Uzbek excavators and bridge cranes, tractors, cotton gathering machines, cable products, chemical equipment, consumer goods, agricultural products in their turn were transported through The Caspian Sea²” However, in spite of this meeting and concluding some treaties between Uzbekistan and Azerbaijan trade economic relations were not so high-levelled, and during the several subsequent they had almost stopped because of some reasons. First, from the beginning of the 1990s there were no straight transport links between the two republics, the main reason of which was unstable situation in Azerbaijan. In Uzbek specialists’ opinion the opening of air transport links between Tashkent and Baku was untimely for complicated political situation in Transcaucasia region and the possibility of terrorist acts³ being held on the boards of Uzbek liners. Secondly, Uzbek government was afraid of being involved in the military conflict between Armenia and Azerbaijan, which were the members of 1992s Tashkent agreement about collective safety, as Uzbekistan. The problem was that the agreement stipulated for protection against external enemy’s aggression, but it didn’t take into consideration that the war could flare up between the members of the protection document themselves. But, anyway, both Baku and Yerevan had the right to demand active intervention of the other members. At this point Uzbekistan aspired to take a neutral position, having declined the offer of Ankara to support Azerbaijan jointly. Thirdly, in 1992-1993 the government of Azerbaijan carried on short-sighted policy towards this country, bilateral relations were completely violated and up to October 2, 1993 there were no diplomatic relations. Only after renewal of relations with Uzbekistan made by President Geydar Aliyev, who had pretensions to the leadership in Central Asian region, bilateral political, economic and cultural relations began to develop (Gasanov, 2007).

The new stage in coming into being of trade and economic relations of the two countries: Trade economic relations of the Republic of Uzbekistan and the Republic of Azerbaijan had begun to arrange since 1995, after G.A. Aliyev’s return to power and setting diplomatic relations between the states. As a result of an official visit of Uzbekistan’s first President Islam Karimov to “The Country of Fire” made on May 26-27, 1996 besides the fundamental document – the Treaty about the friendship and collaboration between the Republic of Uzbekistan and the Republic of Azerbaijan, there was signed a number of pacts in trade and economic sphere, i.e.: The Agreement between the Government of the Republic of Uzbekistan and the Government of the Republic of Azerbaijan about the mutual encouragement and protection of investments; The Agreement between the Government of the Republic of Uzbekistan and the Government of the Republic of Azerbaijan about the avoidance of binary taxation and prevention of income (profit) evasion and estate taxation; The Agreement between the Government of the Republic of Uzbekistan and the Government of the Republic of Azerbaijan about the free trade³.

² Tashkent Truth. October 22, 1991.

³ Central State Archives of the Republic of Uzbekistan Fund M-7. Inventory 1. Unit of storage 722. p 68-69.

The mutually beneficial relations between “Uzbekkimyosanoat” and “Azerkimyosanoat” associations and also between the oil-industry workers of Uzbekistan and Azerbaijan can serve as an example of their successful economic collaboration⁴. The intensification of the interrelations began in 1996, when TRACECA project appeared. Transcaucasia corridor goes through Tashkent – Ashgabat – Turkmenbashi (former Krasnovodsk) – Baku – Poti, further by the means of ferry through the Black Sea cargo goes either to Rumanian port of Constantia or to Bulgarian port of Varna. From the moment of the agreement’s signing Tajikistan, Kazakhstan, Kirghizstan, Bulgaria and Rumania have already joined it. In 1996 the volume of Uzbek exported and imported cargoes through Transcaucasia corridor amounted to almost 140000 tons, in 1997 – 285000 tons (Karimov, 1999), in 1998 - about 300000 tons⁵, in 1999 – 105000 tons⁶, in 2000 – 224000 tons⁷. The main transit cargoes are oil-industry products and cotton. In Table 2 given below the admission index of this corridor, which represents its admission power, is shown. Despite the negative background of the world markets during the period of crisis some positive tendencies were typical of the two states for commodity circulation. The Republic of Uzbekistan and the Republic of Azerbaijan are among few countries of the world which continue to demonstrate high rates of economic rise. This is used for bright evidence of vitality and high effectiveness of each of these countries’ own models of development⁸. The activity of Joint intergovernmental commission on collaboration of the Republic of Uzbekistan and the Republic of Azerbaijan promoted the rise of successfulness of their collaboration in this direction. In the conditions of global financial economic crisis* the matters of defining the joint functioning program, strengthening and deepening of cooperation links between joint ventures and companies of the two countries, retaining and fastening the reached rates of mutual commodity circulation are still extremely actual. In this context, the main mechanism regulating trade economic interaction is Joint intergovernmental commission on collaboration of the Republic of Uzbekistan and the Republic of Azerbaijan*.

Intergovernmental commissions on trade economic collaboration with foreign countries (IGC) play a significant part in the bilateral collaboration development of one state with other foreign countries, being an effective instrument of solving the problems, representing mutual interest. Due to the work of IGC the investment and interregional collaboration are developing, transport problems are being solved, the links between custom services are being strengthened, the interaction in innovational sphere is being on a new level.

⁴ People’s Word. October 16, 1999.

⁵ Central State Archives of the Republic of Uzbekistan Fund M-7. Inventory 1. Unit of storage 722. p 213.

⁶ Central State Archives of the Republic of Uzbekistan Fund M-7. Inventory 1. Unit of storage 722. p 149.

⁷ Central State Archives of the Republic of Uzbekistan Fund M-7. Inventory 1. Unit of storage 722. p 64.

⁸ People’s Word. September 28, 2010.

*As the result of global crisis of the world economic system some negative tendency appeared and due to this process the economic systems of Azerbaijan and Uzbekistan were characterized by positive indexes. And this confirms the power and effectiveness of the models chosen by the two countries. These models reflect the formed principles of market economy.

* According to the points of “The Protocol about Joint intergovernmental commission on collaboration of the Republic of Azerbaijan and the Republic of Uzbekistan creation”, signed on June 18, 1997 in Tashkent, the sessions of the intergovernmental

In his interview the former Ambassador of the Republic of Uzbekistan to the Republic of Azerbaijan, I. Irgashev (the ambassador extraordinary and plenipotentiary of the Republic of Uzbekistan to the Republic of Azerbaijan from December, 2004 till February, 2012), reporting about the role of the Joint intergovernmental commission on collaboration between the Republic of Uzbekistan and the Republic of Azerbaijan emphasized: "Holding the sessions of Intergovernmental commission and the resolutions, passed in their framework will serve as one more push in the matter of trade economic relations development and strengthening. As the joint commission is not limited to solving existing concrete problems in the matter of trade economic collaboration, but it also is busy with revealing more opportunities being new and not included yet, with defining the ways of collaboration scale widening, working out mutually beneficial projects. In this connection the important role of the commission's activity in the further widening of bilateral trade economic links can be pointed"⁹.

Besides the activity of Uzbek-Azerbaijani intergovernmental joint commission great importance in bilateral economic links development is attached to holding business-forums, presentations of economic potential of Uzbekistan and Azerbaijan, different national exhibitions and other events. Economic forums equally with concluding new treaties, will serve for business circles' knowledge about the opportunities of the two countries¹⁰. It should be mentioned that Uzbekistan and Azerbaijan are not satisfied with only the usage of ordinary methods of bilateral collaboration development in trade economic sphere. On the contrary, they make active efforts for new trends' revealing. As an example the national exhibitions of Azerbaijan's and Uzbekistan's achievements, which were held on November, 5-7 and December, 3-5 of 2010 in Tashkent and Baku, can be named. These exhibitions became a clear demonstration of creative processes taking place in Uzbekistan and Azerbaijan in spite of the crisis happenings in the world. Uzbek-Azerbaijani business-forum, held on October 11, 2012 in Baku, also proved a great potential for mutually beneficial widening of trade economic relations between our countries. Within the framework of this event, where over 100 representatives of leading Azerbaijani companies took part, the sides discussed concrete offers on mutual delivery of wide assortment of different products. In his interview for „New Baku Post“ the Ambassador of the Republic of Uzbekistan to the Republic of Azerbaijan, Sherzod Fayziyev (the ambassador extraordinary and plenipotentiary of the Republic of Uzbekistan to the Republic of Azerbaijan beginning from March 27, 2012) reported: "First of all I would like to emphasize that the deepening of trade economic and investment links is the bilateral collaboration trend of priority. I think it will not be an exaggeration if I tell that this trend is starting-point for the advancement of all other spheres of our interrelations.

In modern complicated conditions, including severe consequences of global crisis, the matters of bilateral operation program defining, of strengthening and deepening cooperation links between joint ventures and companies of the two countries, further increasing of the mutual commodity circulation's achieved rates are paramount.

In this connection today our efforts are directed to the ways of revealing the interrelation advancement between Uzbekistan and Azerbaijan in the sphere of trade economic and investment exchange¹¹. Collaboration in the trade-economic sphere is being accomplished in the regime of free commerce and it includes the nomenclature of various branches of economy. Uzbekistan exports cars and equipment, the products of food, chemical industry, ferrous and non-ferrous metals, energy bearers, vehicles pharmaceutical production, fertilizers, electrical and mechanical appliances, agricultural products to Azerbaijan, render services in transport, tourist and other spheres. Azerbaijan exports cars and equipment, the products of chemical industry and plastics, mechanical appliances, confectionery, various organic and chemical compounds, tannic and dye extracts, services (additional and subsidiary vehicles) and others to Uzbekistan. Nowadays in Uzbekistan joint ventures with Azerbaijani capital are operating successfully in the sphere of power engineering, light industry, machine building, etc.

However, this is not enough. For example, Azerbaijan is interested in Uzbekistan's branches of aircraft and machine building. Moreover, Uzbekistan can carry out fruitful collaboration with Azerbaijan in oil-gas sphere and metallurgical industry. As a whole, there are many branches where the creation of joint ventures is mutually beneficial. In such a way, they can open an enterprise on tractors assembling in Baku. There is a sufficient legal base for this, in both countries a favourable investment sphere is created, the mechanisms for stimulation of businesspersons collaboration are worked out. Furthermore, taking into consideration the great experience of Uzbekistan and Azerbaijan in cotton-growing and silkworm breeding, they should include great resources in the sphere of textile industry. One more sphere is transport communications. In spite of the fact that Baku port is an important transport junction for Uzbekistan, which comes out to the world market, in particular, to the markets of Eastern, Central and Southern Europe, through the territory of Turkmenistan, Turkmenbashi - Baku ferry passage and Baku-Tbilisi - Poti or Kars corridor. Uzbekistan can serve for Azerbaijan as a base for coming out to Central Asian, Afghanistan, Pakistan and even South Asian markets. It's not enough, as besides the cargo transportation they can get significant benefits from transit services too. It goes without any doubt that the realization of coordinated transport policy, held by Uzbekistan and Azerbaijan, will cause a great effect.

In Azerbaijan a rising interest to the production of Uzbek automobile industry is being observed. From the beginning of "UZDAEWOO Baku-Auto" Ltd in Baku in February, 2008 the sale of Asaka automobile plant's cars to Azerbaijan started. This way during the years of 2007-2012 about 4500 automobiles of Uzbek production (GM Uzbekistan) were delivered to Azerbaijan and it is expected that soon 3000 automobiles will be delivered. At the same time in Baku on passenger lines over 400 buses, produced in Uzbekistan, work. "Tashkent aircraft producing union named after V. Chkalov" state joint-stock society during the last 4 years delivered 5 Il-76TD airplanes to Azerbaijani aircraft producing companies. In its turn, Azerbaijan is also interested in the usage of Uzbekistan's potential, which is in the centre of Central Asia and obtains great economic and strategic opportunities. The actual means of arranging trade-economic relations are free industrial-economic and industrial zones.

⁹Caucasus Bulletin. Uzbek-Azerbaijani relations are high-levelled p. 1. Democracy & Elections in Azerbaijan

¹⁰Caucasus Bulletin. Uzbek-Azerbaijani relations are high-levelled p. 2. Democracy & Elections in Azerbaijan.

¹¹<http://www.turkishnews.com/>

In this connection it should be mentioned that investment potential of “Navoi” free industrial-economic zone, which began operating from the moment of its foundation in 2008, also creates a good basis for the two countries’ collaboration deepening, including in transport-communication sphere. Being on the most important one of automobile, railway and aero lines, Navoi city airport unites Southeastern countries with Central and Southern Asia, Near East, and with the states of European continent. In this area new producing objects’ joint constructing, the work on accomplishment of intercontinental transportation by air in prospects it will be especially beneficial for Uzbekistan and Azerbaijan. Except “Navoi” FIEZ “Angren” and “Djizzak” PPEs were created to attract investments to Uzbekistan. Thus in Angren on April 13, 2012 “Angren” special industrial zone was created. The operation of the zone will serve complex and effective usage of producing and resource potential of Tashkent region, creating new workplaces and the national incomes raising on this basis¹². On March 18, 2013 in Uzbekistan “Djizzak” special industrial zone with its subsidiary in Syrdarya region were organized for the complex and effective usage of producing potential of Djizzak and Syrdarya regions, and also for new work places organization on this basis and the raise of national income. “Djizzak” PPE was opened for the period of 30 years with the opportunity of further prolonging.

RESULTS AND DISCUSSION

Thus, making the conclusion, we should note that the work done by the two states was directed at establishment and development of Uzbek – Azerbaijani trade and economic collaboration which played an essential part in creation of solid lawful basis for mutually beneficial collaboration’s successful realization in economic sphere. The legal program of economic collaboration was laid during the official summits of the Heads of the states and the Governments of the two countries.

One should establish the fact that even during the period of crisis despite the negative background of the world markets some positive tendencies, given in Table 3, were typical of the two states for commodity circulation, which is a weighty argument in trade-economic collaboration between the Republic of Uzbekistan and the Republic of Azerbaijan. To conclude all the mentioned above, we have come to the consideration that trade-economic relations between the two fraternal republics are quite high-leveled, they evoke the aspiration and interest of the both states to economic relations’ widening in all possible spheres, which can be witnessed by sound base of treaties, including more than 100 documents.

Table 1. Commodity trade structure between Uzbekistan and Azerbaijan (1990)

Name	Export from Uzbekistan to Azerbaijan	Export from Azerbaijan to Uzbekistan
Cotton fabrics	331 000 m	365 000 m
Wool fabrics and shawls	470 000 m	-
Silk fabrics	465 000 m	326 000 m
Clothes and linen	14,509 000 000 roubles	-
Leather shoes	19 000	-
Ferrous metals (ready rolling)	-	3 000 t
Cement	-	7 000 t
Tractors	-	843 items
Fresh and digested products	-	143 t

Source: Statistics state committee of the Republic of Uzbekistan, 1991.

Table 2. Index of Transcaucasia corridor

Index	Travel cost	Time cost	Reliability	Safety/security
8258	3446	11243	10849	221

Source: TRACECA Route Attractiveness index – TRAX. 41 p. 9.

Table 3. The dynamics of commodity circulation between the Republic of Uzbekistan and the Republic of Azerbaijan during 2000-2015 (mil. of US dollars)

Commodity circulation	Import	Export	Years
7816,3	4252,6	3563,7	2000
12298,8	8532,7	3766,1	2001
10744,7	5534,4	5210,3	2002
9511	3860,4	5650,6	2003
153051,3	5991,1	147060,2	2004
135758,5	6701,2	129057,3	2005
56907,3	6758,1	50149,2	2006
60698,7	7310,1	53388,6	2007
71643,2	11151,9	60491,3	2008
46323,8	8535,9	37787,9	2009
72301,7	33910,6	38391,1	2010
86574,2	52498,7	34075,5	2011
25281	9175,7	16105,3	2012
38125,9	9908,2	28217,7	2013
82775,9	34277,8	48498,1	2014
40574,6	15076,8	25497,8	2015

Source: Statistics state committee of the Republic of Uzbekistan, 2016.

¹² <http://www.turkishnews.com>

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