

INFLUENCE OF BELT AND ROAD INITIATIVE TO UZBEKISTAN'S INTERNATIONAL TRADE

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Abstract. The Belt and Road Initiative proposed by the Chinese government has received active support and participation from more than 100 countries and international organizations worldwide. Uzbekistan is located in the center of Central Asia and is an important hub of the Belt and Road Initiative. Uzbekistan was one of the earliest countries to support and actively participate in the Belt and Road Initiative. Therefore, the “Belt and Road” has also had a profound impact on Uzbekistan’s foreign trade. Research shows that Uzbekistan’s participation in the Belt and Road Initiative has significantly promoted Uzbekistan’s foreign trade growth. The findings of this research also will hopefully be significant for Uzbekistan to participate to the BRI when facing challenges and prospects related to international trade of the country. The research conclusions of this article have certain reference significance for how Uzbekistan can better respond to the challenges in international trade in participating in the “Belt and Road” initiative.

Keywords: Belt and Road Initiative, Foreign trade, Uzbekistan, China

Introduction

China has been turned from an extremely poor economy into a modern global economic giant. Economic reforms affected positively on China's gross domestic product (GDP) about 2 decades later and made it the world's second largest economy after the United States of America (USA). From a centrally planned to the market economy economic reforms have led to rapid economic growth and the development of society. The rapid progress of infrastructure and overcapacity have also affected negatively to China's economy. China announced the launch of the One Belt, One Road (OBOR) project, which brings together about 65 percent of the world's population, as part of its attempts in order to renovate the equilibrium.

The coordination of the BRI project is aimed at solving domestic economic problems, as well as promoting the economic development of the participating countries. China, which has already invested in countries of Central Asia, expects a stable economy through the construction of new roads, railways, as well as a gas pipeline and oil pipelines in areas with rich natural resources. There are more positive impacts of participation to the Belt and Road Initiative for developing countries, as well as Uzbekistan, than negative impacts of joining. In order to develop infrastructure, attract more investments, find new markets for their national product and other economic developments developing countries are joining to the BRI. Uzbekistan also was one of the earliest countries to support and actively participate in the project. Therefore, the BRI has also had a profound impact on Uzbekistan’s foreign trade.

Uzbekistan and China have diplomatic relations for 25 years. In recent years, two countries have developed strong bilateral ties, marked by a high degree of economic activity. China is the second largest trading partner of Uzbekistan and the largest source of investment. On the other hand, China considers Uzbekistan a key partner in the development of the “One Belt, One Road” and, therefore, invests heavily in infrastructure, transport and communications (Koparkar R, 2017).

China and its BRI initiative plays a huge role in the economy of Uzbekistan. Uzbekistan as a developing country needs more investments for its economic growth. Uzbekistan is a double lockdown one of the two countries in the world, which needs to cross two countries to reach the seaports. BRI can give Uzbekistan that opportunity.

Literature review

Pethiyagoda K. in his study ‘What’s driving China’s New Silk Road and how should the West respond’ studied that China's new model for its internal development has sharply affected its economic growth. The study investigates the reasons and expectations of implementation of China’s Belt and Road Initiative (Pethiyagoda K, 2017).

China implemented many economic initiatives in order to invigorate the economy. The Belt and Road Initiative project is one of the most important decisions for external initiatives. Intensifying infrastructure,

stabilizing raw material potential and reducing financial imbalance are intended by the project (Hancock T, 2017). The BRI plan is to reach Europe from China through Central Asia. At the same time, there is a sea route starting from China through Southeast Asia to South Asia and Africa (Dollar D, 2015).

New Silk Road (NSR) initiative project was announced in Kazakhstan by Chinese President Xi Jinping for the first time in 2013 (Junxian G & Yan M, 2016).

The Initiative aspires to build modern highways, railways, utilities and pipelines that will connect China with other countries of Central, West and South Asia and Africa, with delivery point to Europe. China also plans to develop financial and trade cooperation, as well as extend cultural and social cooperation between the countries involved by creating as the world's largest project for economic cooperation (NDRC 2017).

From the perspective of Eurasian countries, Zhenis Kembayev proposed to see the BRI as an opportunity and process to establish a Silk Road Union, which will be based on partnership between the Shanghai Cooperation Organization and the Eurasian Economic Union. (Kembayev Zh, 2017).

China consistently attracts the CA countries to its economic strategies to diversify its opportunities for trading partners. China, with its economic power, invests not only in projects that are beneficial and strategically vital (Toktomushev K, 2016).

By acquiring in a timely and productive manner China's Belt and Road Initiative creates huge opportunities for cooperation with the countries involved. The BRI has a global scale and is of crucial importance in the further development of international relations. China seeks to expand the boundaries of the Belt and Road Initiative through the maximum possible number of projects implemented in partner countries, deliberately giving them the initiative of comprehending and developing investment proposals by themselves (Matyakubov A, 2019).

Uzbekistan actively supports China's international initiative Belt and Road Initiative. Today, Belt and Road Initiative, evaluated as a revival of this path, plays an important role in expanding economic cooperation, creating attractive conditions in the areas of trade and investment, developing transport and communication infrastructure, increasing the potential for cooperation in agriculture, tourism, education and culture.

Active cooperation with the member states of the One Belt, One Road initiative opens up many opportunities for Uzbekistan. Sixty countries of the initiative rank among the largest 'suppliers' of tourists. According to the World Tourism Organization, over 20% of all funds spent by tourists around the world account for China, Chinese tourists (Aripov E, 2019).

China needs to involve Uzbekistan, as the latter is the geographical and territorial pivot of Central Asia. From the perspective of Uzbekistan, the BRI could help open the corridor to the Persian Gulf, enabling expansion of commercial and trade routes for the country. The latter point acquires particular importance taking into account recent focus of Uzbekistan to promote the export of Uzbek goods in foreign markets. Uzbekistan already stressed its readiness to participate in the Belt and Road projects through bilateral and regional platforms. Uzbekistan is a regular participant of annual China-Central Asia Cooperation Forum which is held regularly to promote cooperation between parties to build the Silk Road Economic Belt jointly.

These developments show that Uzbekistan's readiness to participate in China's Belt and Road Initiative. This is explained by compatibility of development agendas of both countries. China's presentation of the BRI as a framework for realizing investments and capacity-building transfers in the sphere of infrastructure resonates well with Uzbekistan's agenda of economic and industrial modernization and foreign policy objectives.

One Belt, One Road, is also known by the New Silk Road (NSR), the Belt and Road Initiative (BRI) and the Silk Road Economic Belt (SREB). It was renamed in order to change conception, due to ample misunderstandings from the parties included. In this article, in order to avoid confusion, the most widespread abbreviation, BRI will be used.

Research methodology

This study is based on secondary data on Uzbek officials. In addition, an analysis of Internet sources, journals and books related to the "Belt and Road" initiative is carried out. The analysis of the data is mostly descriptive, since this topic addresses issues and prospects for participation. The following methods of general scientific knowledge were used: logical, historical and particular methods, comparative, methods of statistical analysis of economic processes and factor analysis. The research work was carried out using logical-theoretical

methods and the method of foresight, which allows us to develop long-term strategies for Uzbekistan by participation to BRI.

Analysis and discussion of results

The Belt and Road Initiative (BRI), launched in 2013, aims at ‘establishing a community of common destiny with 4.4 billion people in 65 countries in Europe, Asia and Africa along the route’ (Wang Y, 2016). Described as the most ambitious foreign policy project adopted by China, the Belt and Road initiative - made up of two components, Silk Road Economic Belt and 21st Century Maritime Silk Road – aims to create greater economic integration between countries along the routes which connect East Asia with Western Europe (Mayer M, 2018). According to Yu Cheng and colleagues, the Belt ‘mirrors the Ancient Silk Road,’ and it continues to represent a favorite route of exchange between China and Europe. The Road, which links China to the Mediterranean is one of the most important international trade routes of the future and will connect China to important developing markets (Yu Ch, 2018).

The Chinese government calls the initiative "a bid to enhance regional connectivity and embrace a brighter future". The project has a targeted completion date of 2049, which occurs simultaneously with the 100th anniversary of the People's Republic of China.

The Silk Road Economic Belt extends from Eastern China, along the Yangtze River, to China’s northwestern city of Xi’an, the starting point of the ancient Silk Road, through Central Asia, all the way to Eastern and Central Europe. The 21st Century Maritime Silk Road links the South China Sea to the Indian Ocean, to oil countries in the Middle East, and another route through Africa to destinations in Western Europe. China sets up the vision of a revived regional economic entity based on the ancient concept of the Silk Road.

BRI aims to construct the world’s largest network of economic corridors, including China-Mongolia-Russia, China-Central Asia-West Asia (Middle East), China-South Asia corridors, along with China-Pakistan, and China-Bangladesh India-Pakistan Economic corridors.



Figure 1. BRI routes. The Silk Road Economic Belt and 21st Century Maritime Silk Road

Source: google.com

China’s new Grand Strategy for Central & Eastern Eurasia and Maritime Asia Pacific, also referred to as BRI, is as follows:

It is the first Grand Strategy deliberation by China since China’s Reform and Opening-up.

BRI will encompass more than 60% of humanities and 40% of the world’s GDP.

Economically, BRI is crafted to facilitate infrastructure-led economic expansion through China-led regional infrastructure investment mechanism, including AIIB, NDB and the Silk Road Fund, in aggregate asset size of \$240 billion, larger than the size of the World Bank.

Militarily, SCO is founded on the basis of security and military cooperation among eight member countries, and will soon expand to more member countries in the region.

Geopolitically, Chinese President Xi Jinping calls for building a “Community of Common Destiny” among BRI partners.

In fact, the Silk Road project has previously focused on the Central Asian region. The United States, Russia, India, the European Union, and Turkey have launched regional cooperation projects. However, these projects do not involve large infrastructure projects. It is no exaggeration to say that most of them are not eventuated. So why was Uzbekistan the first to support the Silk Road project, launched by the Chinese government? What makes this project so attractive for Uzbekistan, which is located in the middle of the continent?

Firstly, since the announcement of this initiative in 2013, China has consolidated all its foreign investment and trade relations under the banner of "One Belt, One Road." The BRI has risen to the status of China's official foreign economic policy and is even reflected in the recently amended Constitution of the People's Republic of China. Now it is possible to analyze the Uzbek-Chinese economic relations in the framework of the BRI initiative.

Uzbekistan has had economic ties with China since 1991. China is one of Uzbekistan's largest trading partners and has been the largest foreign investor in Uzbekistan for several years. In 2021 alone, the trade turnover amounted to 7.4 billion US dollars

Chinese companies have reached large investment agreements in Uzbekistan. For example, a total of \$ 15 billion worth of gas and uranium mining contracts have been signed. There are more than 1800 joint ventures, with Chinese investment totaling more than US\$ 4.8 billion by the end of 2020.

The Uzbek government has expressed support for the BRI project since its inception. As a result, cooperation in the construction of the Silk Road economic project has become a key area of Uzbek-Chinese international relations. Therefore, Uzbekistan participated in and actively supported the founding of the first global financial institution established by China - the Asian Infrastructure Investment Bank.

In May 2017, the President of the Republic of Uzbekistan visited to Beijing for the 1st BRI Forum and held talks with the largest state-owned companies and banks in China. As a result, more than 100 deals worth a total of \$ 22 billion were reached. During the visit, the parties issued a joint declaration, which includes the following important issues:

Under the long-term trade agreement signed between Uzbekistan and China, Uzbekistan is ready to export agricultural products, natural resources and energy products to the Chinese market;

the parties support the financing of various infrastructure projects in Uzbekistan by the Development Bank of China and the Eximbank of China;

the parties agreed on investment cooperation aimed at encouraging high-tech joint ventures and stimulating the production of non-natural resources;

The parties agreed the importance of speeding up negotiations on the Uzbekistan-Kyrgyzstan-China railway project.

The main goals of the Uzbek government are to use soft loans, launch Chinese business complexes, increase the production capacity of local companies, and find alternative markets for Uzbek products. It also aims to develop foreign trade and use project resources to deliver value-added Uzbek products to countries bordering the BRI project.

For Uzbekistan, which has no transport infrastructure and has to cross at least two countries to access world ports, participation in the project will help it successfully integrate into major global markets such as the European Union, the Middle East and China.

By joining the BRI, the Uzbek government can seize the opportunity to diversify its trade routes. In particular, the Silk Road Economic Road is one of the three trans-Eurasian economic corridors leading from China to Central Asia, through Russia to Europe, and from China through Central Asia and West Asia to Persia and the roads extending to the Mediterranean Sea are significant.

In 2016, Uzbekistan was able to build a 19.2 km long Kamchik tunnel in the mountainous part of eastern Uzbekistan with an \$ 455 million infrastructure loan from the Export Import Bank of China. In June 2016, the leaders of Uzbekistan and China inaugurated the Angren-Pop Electrified Railway and the Kamchik Tunnel.

The project was organized by China Railway Group. Uzbekistan, together with neighboring Kyrgyzstan, offered China to build the “Uzbekistan-Kyrgyzstan-China” railway project within the framework of BRI.

It should be noted that the project was proposed not by China, but by Central Asian countries before the announcement of the BRI. The inclusion of the project in the Uzbek-Chinese joint statement can be seen as a diplomatic achievement of President Mirziyoev. However, differences in the width of the railways between China and the former Soviet republics have delayed the construction of the line by 20 years.

In any case, the proposed projects must be economically viable, far-sighted, improve the living conditions of the population where the project is implemented, and create sustainable development. Otherwise, the projects will be in the form of infrastructure that is not used by many people or does not benefit the surrounding population, as in African countries. To prevent this, our people, especially our experts, need to have enough information about BRI projects.

Participation in the “One belt, one road” projects will help the countries of Central Asia launch new industries and development centers, create new jobs, which is important for the densely populated Central Asian region. For most of the countries of the Central Asia, transport projects are important primarily for the Chinese initiative. These include the Western Europe – Western China highway, North-South railway projects, the central corridor of the Trans-Asian railway and “Chunqing-Duisburg”. All countries of the region are involved in these transport corridors. Kazakhstan built its roads on national funds with a number of Chinese loans. Now Uzbekistan pursues the same policy. Kyrgyzstan and Tajikistan, the poorest countries of the region, build their roads mainly on Chinese loans. Participation in the Chinese initiative “One belt, one road” contributes to the economic development of countries of the region. World practice shows that along the roads, new production and new development centers are always emerging.

The most important project for the region is the gas pipeline “China – Central Asia”. So far, only three countries are involved – Turkmenistan, Uzbekistan and Kazakhstan. This is a development of the entire fuel and energy complex, and it includes exploration, production, as well as transportation of natural gas. This also allows the development of related industries: oil and gas chemistry, processing associated natural materials, and so on. These are new jobs, which is important for a densely populated region (Kuzmina E, 2019).

The need to realize the transit potential of Central Asia and the formation of an economic corridor China - Central Asia - Western Asia was noted. Great prospects here open up with the launch of the road-corridor Tashkent - Andijan - Osh - Irkeshtam - Kashgar. The Uzbekistan-Kyrgyzstan-China and Mazari-Sharif-Kabul-Peshawar railway projects are of strategic importance. It also seems economically feasible to establish a through tariff for rail transportation along the route – Yellow Sea - Central Asia – Europe ports.

The country has the lowest per capita GDP of \$1,500 in Central Asia. Georgia, a country with a fifth of Uzbekistan’s population and no resources, has a per capita GDP of \$4,500, while oil rich Kazakhstan had \$9,000. It is also a springboard to the wider Central Asia region as it shares borders with Kazakhstan, Tajikistan, Kyrgyzstan, Turkmenistan and Afghanistan. The country’s strategic location makes it a key link in China’s belt and road initiative (Rainer M. P, 2019).

Jeffrey David Sachs, Director of the Center for Sustainable Development at Columbia University, said, Uzbekistan is in an acceleration period of faster development. Because now, especially as the government is making reforms and opening the economy, and the president is visiting the neighbors and establishing or reestablishing good relations, and as China is creating its “Belt and Road” initiative, this is a good time for Uzbekistan to make new businesses, new connections and to benefit from being a hub within this bigger region. I think that what we are seeing right now is acceleration of both these structural reforms and of the opportunities for development.

We can see many foreign experts and journals are considering that participation of Uzbekistan to the Belt and Road Initiative is positive for both parties.

Conclusion

China’s Belt and Road Initiative is presented as a unique multilateral framework or inclusive and cooperative development. At the same time, its implementation passes through regional mechanisms as well as by its ability to forge close partnerships with key countries in target regions. Uzbekistan is an important country

in Central Asia, which takes central place in Belt and Road projections. From the perspective of Uzbekistan, the Belt and Road Initiative can contribute to its national development strategy launched in 2017. Mutual interest may well generate linkages between these two initiatives. For this, it is essential to integrate relevant elements from Uzbekistan's national strategy into existing and future Belt and Road projects. It is equally important to maintain the focus on inclusive character of the Belt and Road Initiative. Maintaining inclusive scope of the BRI and avoiding exclusive categories is essential for the continuous involvement of Uzbekistan with the BRI. Uzbekistan's current internationalization is not limited to any specific region or civilization. President Mirziyoev has been active in rejuvenating existing partnerships or establishing new friendships in many different directions as represented by his visits to countries like China, Russia, South Korea, Turkey or USA. Sustainability of the BRI's inclusive scope and voluntary nature is thus vital factor for maintaining mutual dynamics between Uzbekistan and the BRI.

The investment, trade, and transit barriers imposed by Uzbekistan border, customs, and regulatory authorities often disqualify the region as a destination for doing business or scaling up trade and investment activity, not to mention the BRI project. If these barriers are not removed, Uzbekistan will only reap the benefits of BRI as transit countries, not as destinations for much larger investments. Even highly risk-tolerant Chinese investors find it difficult to trade and invest in Uzbekistan. Given the ambitious agenda and transformative potential of the BRI project, there is high risk that its benefits will be greatly under-realized by Uzbekistan, unless the institutional and governance aspects of trade and investment policy and customs and border administration are addressed at the highest level. The China-proposed BRI initiative will only succeed in Central Asia when the underlying barriers to trade and investment are removed and critical reforms are implemented.

In summary, broadening the opportunities for trade in Uzbekistan will require strong reforms, with considerable scope for regional cooperation. Better infrastructure and skills and more efficient institutions will lower trading costs, improve the reliability and predictability of the investment climate, and therefore make China's BRI initiative an attractive and doable endeavor in Uzbekistan.

There are many problems in predicting the clear results of BRI projects, but thanks to the initiatives of the government of Uzbekistan to receive investments that are financed at low interest rates, there is a general recognition of the mutual economic prosperity for both parties that results from constant new project applications. This, as a result, will create potential economic opportunities for countries, leaving the unpredictable consequences of such initiatives.

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