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JIF = 1.500	SJIF (Morocco) = 7.184	OAJI (USA) = 0.350

SOI: [1.1/TAS](#) DOI: [10.15863/TAS](#)

International Scientific Journal Theoretical & Applied Science

p-ISSN: 2308-4944 (print) e-ISSN: 2409-0085 (online)

Year: 2021 Issue: 11 Volume: 103

Published: 04.11.2021 <http://T-Science.org>

QR – Issue



QR – Article



Shovkat Kabuldjanovich Djmalov

Tashkent branch of Plekhanov Russian University of Economics

Vice-rector

TRADE AND ECONOMIC COOPERATION OF CHINA WITH UZBEKISTAN

Abstract: China's place is determined by its economic strength in the modern global economy. In terms of GDP (at the exchange rate), China is behind the United States, occupying the 2nd place. It is China that largely determines the growth of the world economy. Thanks to the competent management policy, China was able to realize its competitive advantages, including the huge potential of the domestic market, and occupied a place in the world economy as a leading manufacturer of industrial products. The states which are in debt to China: Pakistan - \$ 20.2 billion; Angola - \$ 15 billion; Kenya - \$ 7.5 billion, Efiopia \$ 6.5 billion; Ecuador - \$ 5.8 billion; Shli-Lanka-5 \$, 4 billion; Laos-5.2 billion; Brazil - \$ 5.0 billion; Belarus - \$ 5.0 billion; Egypt \$ 4.1 billion, the other 85 countries owe China (each) an average of \$ 0.8 billion [1].

China is a leading foreign trade partner of Uzbekistan, having replaced Russia in this status several years ago. The article examines the issues of trade and investment cooperation between Uzbekistan and China.

Key words: Chinese economy, trade cooperation, investment cooperation, electrical clusters, export production of the PRC.

Language: English

Citation: Djmalov, Sh. K. (2021). Trade and economic cooperation of China with Uzbekistan. *ISJ Theoretical & Applied Science*, 11 (103), 170-174.

Soi: <http://s-o-i.org/1.1/TAS-11-103-8>

Doi:  <https://dx.doi.org/10.15863/TAS.2021.11.103.8>

Scopus ASCC: 2000.

Introduction

The unique achievements of the PRC during the last forty years of reforms have focused the attention of researchers on the phenomenon of the Chinese economy. China is gradually becoming not only the world's largest producer of goods, the most important exporter and importer of capital, but also a source of global economic growth. The implementation of the Belt and Road Initiative is an important step by the Chinese government in promoting a new model of globalization and is one of the most important priorities of its work. The Belt and Road Initiative is a project for the economic integration of China with Asia, Europe and Africa. The countries included in this project have a population of 4.4 billion people, or 62.55% of the world's population, and account for almost 30% of world GDP [2]. The initiative is seen as a tool to promote national economic development by boosting exports, expanding access to natural resources and supporting important domestic industries. The implementation of this initiative will

provide an opportunity to develop the vast western regions of China, which can help to overcome the imbalance in socio-economic development between the eastern, western and central provinces. One Belt, One Road covers broad areas of economic cooperation. Among them, there are three priority areas: infrastructure, industrial and financial cooperation. Given the low level of infrastructure development in most countries along the Silk Road, the implementation of this initiative will be an essential prerequisite for regional economic integration and development. Infrastructure development within the belt includes the construction of rail and road networks, port facilities, pipelines, airports, energy and communications infrastructure. Industrial collaboration is the second key area. Massive investments in infrastructure projects in the countries participating in the initiative will increase the demand for building materials and equipment for transport, energy and telecommunications. In some of these areas, the PRC has a comparative advantage.

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This will help absorb excess capacity in China and smooth the economy's transition to a new growth model. Financial cooperation is the third important area of the project. In addition to the establishment of the Silk Road Fund and the Asian Investment Bank, China is seeking to expand bilateral settlements, create a system of currency stability within the belt, which will help strengthen the yuan's status as a global currency. China maintains trade and economic ties with 182 countries. Moreover, the main trading partners of the PRC are fast-growing Asian countries, and developed countries account for just over 30% of foreign trade turnover. Today, the export commodity nomenclature includes about 50 thousand items of goods, among which highly processed goods account for a large share. Electronics, telecommunications and sound equipment account for over 25%. Among them, machines, equipment and tools account for 49.3%, household goods - 12.8%. The main imports are also finished goods, with raw materials accounting for 25.7%. China occupies a leading position in the world in the production of labor-intensive products and articles necessary for new construction and the implementation of large infrastructure facilities. Thus, it accounts for 60% of world cement production, 50% of steel, 55% of primary aluminum, 44% of refined lead, 43% of zinc, 27% of cars (2015).

China is a leading supplier of products to many countries in the world, both developed and developing. China accounts for 21.5% of US imports, 24.8 - Japan, 20.7 - R. Korea, 17.9 - Brazil, 22.1% of Angola's imports (2015). The economies of such countries as the DPRK (75.8% of exports and 76.4% of imports, 2015), Mongolia (84% of exports and 40% of imports, 2015) are even more tied to China [1-3]. The rapid economic development of China in the post-pandemic period will create more and more opportunities for its neighbors, including Uzbekistan. Today, for Uzbekistan, it is not only a leading trade and economic partner, which has proven its reliability, especially in the context of the coronavirus crisis, but also the main point for growth. Further development vectors include an increase in trade through the world's largest domestic market, as well as significant financial resources of the PRC, which can be directed to the implementation of joint investment projects. In addition, many Chinese companies are implementing projects funded by international financial institutions. Among them are the modernization of pumping stations, the construction of power plants, the reconstruction of canals and highways, and the electrification of railways. In November 2020, 17 enterprises of Uzbekistan participated in the third China International Import EXPO in Shanghai, and the area of the republic's stands was more than 300 square meters, which is twice as much as in 2019. In Uzbekistan's trade with China, then China has retained its position as the largest importer and exporter of goods. China also ranked first in imports of Uzbek

natural gas, second in textile products, and fifth in agricultural products. For China, 2021 is the first year of the implementation of the 14th five-year plan. In September 2021, Beijing set a goal - economic growth per year by at least six percent. The PRC will deepen reforms in key areas with an emphasis on innovation, stimulate high-quality development of the real sector of the economy, expand domestic demand, implement a strategy for the development of rural areas, achieve a high level of external openness, promote the quality of foreign trade and the use of foreign capital while maintaining their stability. , adhere to the concept of development "everything for the people", improve the well-being of the population in the spheres of education, health care and housing. In total, China imported more than \$ 70 million worth of agricultural products in 2020, up 44.5 percent from 2019. Only the volume of exports of Uzbek mung bean to China has actually tripled. At the same time, the share of Uzbekistan in the total volume of imports of these products to China increased from 26 percent to 36.5 percent. Thus, Uzbekistan has become the largest supplier of mung bean to China. For China, 2021 is the first year of the implementation of the 14th five-year plan. At the recent "two sessions" held in Beijing, a goal was set - economic growth per year by at least six percent. The PRC will deepen reforms in key areas with an emphasis on innovation, stimulate high-quality development of the real sector of the economy, expand domestic demand, implement a strategy for the development of rural areas, achieve a high level of external openness, and promote the quality of foreign trade and the use of foreign capital while maintaining their stability, adhere to the concept of development "everything for the people", improve the well-being of the population in the spheres of education, health care and housing. The close interdependence of the Chinese economy and the economies of the leading centers of the world economy is due not only to the volume of their foreign trade and investment cooperation, but also to the wide presence of the world's leading TNCs in the PRC, about 45% of all export products are produced at enterprises with the participation of foreign capital. The expansion of the geography of Chinese foreign trade, the transition to global world coverage is facilitated by the improvement of the structure of Chinese exports. According to the WB Doing Business 2020 rating, China took 31st place and entered the top 40 countries for the first time, improving its position by 15 points compared to last year's rating (in 2019 it was ranked 41st). According to WB experts, China has made significant progress in improving the business environment for small and medium-sized enterprises in a number of indicators and remains an attractive economy for foreign investment. The United Nations Conference on Trade and Development (UNCTAD) Global Investment Trends Report 2019 notes that global foreign direct investment (FDI) continues to

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decline for the third consecutive year, reaching \$ 1.39 trillion in 2019. dollars, which is 1% less than in 2018 and 13% less than in 2017. At the same time, the volume of FDI in China, on the contrary, is growing and in 2019 amounted to \$ 140 billion (in 2018 - \$ 139 billion) [4]. In terms of FDI, China remains second in the world after the United States (\$ 251 billion). The bulk of FDI in China comes from Hong Kong (70%), as well as Singapore, Taiwan, Great Britain, Japan, the United States and Germany (3-4% each) [5]. One of the examples of Chinese zones of trade and economic cooperation in other countries is the Peng Sheng Industrial Park in Uzbekistan, which was created in 2014 in the Syrdarya region on an area of 102 hectares through investments of the Chinese company Wenzhou Jinsheng Trading in the amount of about \$ 90 million.

In Uzbekistan, the park was given the status of the Syrdarya branch of the special industrial zone "Jizzakh", and in China the park was approved as a Chinese state overseas zone of trade and economic cooperation. There are 9 large electro technical clusters in China, each of which in terms of production volume is larger than the total electro technical production of the developed countries of the world. Clusters can be roughly divided into three categories [6]. One of them is state electrical engineering companies operating on state markets, high-voltage networks, industrial enterprises according to the "cost + margin" formula. These are high-tech industries that do not feel the need to save on materials.

Another type of cluster includes large private companies that are included in the top 500 enterprises of the Chinese economy and are listed on the stock exchange [7]. They supply products mainly for the highly competitive domestic construction market and operate primarily in the economic segment, but also export. Companies in this cluster are growing primarily due to the developed Chinese distribution system. These enterprises also work for the industrial market, although they are less focused on it than on the construction market.

The third category is companies that produce both technological and standard solutions for developing countries. The stable demand for their products correlates with the positive dynamics of developing economies, which in the past 20 years have been growing faster than the economies of developed countries. Export production of the PRC can move to the internal regions of the country. For example, the Taiwanese company Foxconn, which employs over 1 million people in China, is moving its production from the coastal Shenzhen to prov. Henan, Sichuan. Uzbekistan's foreign trade turnover with China in 2019 amounted to \$ 7.62 billion, (an increase of 18.5% compared to 2018), of which exports - \$ 2.52 billion (a 13% decrease), imports - \$ 5.1 billion (an increase of 41%). In terms of the volume of trade between Uzbekistan and foreign countries, China took

first place with a specific value of 18.1% (second - Russia (15.7%), third - Kazakhstan (8.0%)). At the same time, the negative balance of foreign trade turnover with China amounted to \$ 2.58 million and, compared to 2018, increased more than three times, due to the growth of imports of machinery and equipment as part of investment programs for the construction and modernization of production facilities of industrial enterprises [8].

In Uzbekistan, at the beginning of 2020, there are 1,652 enterprises (16% of the total) with Chinese investments, of which 531 enterprises were created in 2019. Moreover, more than 120 enterprises with 100% Chinese capital. Representative offices of more than 70 Chinese companies have also been accredited. In terms of the number of enterprises established in Uzbekistan, China ranks second after Russia (1828 enterprises) [9]. The main areas of activity of enterprises with Chinese capital are: oil and gas, chemical, pharmaceutical, textile industry, transport, construction and telecommunications. Enterprises with Chinese capital have been established in all regions of the republic. At the same time, the largest number of them was created in Tashkent (775), Tashkent region (306) and Samarkand (88), and they occupy the largest share of the total number of foreign enterprises in the region in Jizzakh (35.6%), Syrdarya (30.5%) and Tashkent (27.3%) regions [10]. A new cement plant was launched in the Fergana region, created with the participation of a large Chinese company Shanxi Xiang sheng, which invested \$ 113 million for the implementation of the first phase of the project. Thanks to the advanced technologies used in production, this plant is capable of producing 2.5 thousand tons of high-quality cement per day. In 2020, the project was completed, and the plant reached full capacity by the end of the year, which made it possible to employ more than a thousand people.

Similar plants will be opened in five regions of Uzbekistan, which will be able to produce about 6 million tons of high-quality cement per year, which will contribute to the development of the construction sector and create additional jobs.

In September 2019, as part of a strategic investment partnership project for the development of agriculture in Uzbekistan, the Samarkand regional khokimiyat, the American company GMFR Global Group and the Chinese holding Beijing Huiyuan Holding signed a trilateral agreement to create the production of packaged water, juices and dairy products. The new plant will annually produce 20 million tons of products, which will be exported. At the same time, equipment worth about \$ 100 million will be imported for the production of natural juice. In 2017, the Chinese corporation Jinsheng Group invested more than \$ 100 million to implement a project to create a high-tech textile complex in the Kashkadarya region with a total production capacity of 15.0 thousand tons of blended yarn and 10 million

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tones of fabric. The Jinsheng Group Corporation includes 77 companies and enterprises located in Germany, Switzerland, China and other countries, with a total annual turnover of more than \$ 3 billion, which specialize in the production of textiles, mechanical engineering and other industries. In 2021, our countries will continue to deepen partnerships in such traditional areas as the oil and gas sector, energy, agriculture and water management, textiles, building materials, the organization of industrial parks, as well as actively cooperate in new areas, including healthcare, water-saving technologies, renewable energy sources, minerals, digital economy and e-commerce. This will provide an opportunity to advance practical bilateral trade and economic cooperation to a higher quality level and will bring more benefits to the peoples of the two countries. China is the main source of foreign investment for Uzbekistan. Investments from the Middle Kingdom play an active role in promoting the development of the republic's economy, increasing employment and improving the well-being of the population. In recent years, dozens of major projects have been completed with the help of Chinese investments. These are three branches of the China - Uzbekistan gas pipeline, the Pengsheng industrial park, the LT Textile International textile factory in Karshi, the Andijan textile industrial zone, the Ming Yuan Silu glass factory in Jizzak, as well as new cement plants. Thanks to the financing of the Chinese side, our countries have successfully implemented projects for the construction of the Kungrad soda plant, the Dekhkanabad potash fertilizer plant, the railway tunnel on the Kamchik pass, the supply of equipment for pumping stations and many other major

production and infrastructure initiatives. Currently, projects are being implemented to modernize the Shargunkumir enterprise and build small hydroelectric power plants. In addition, a special working group on investment cooperation was established under the Subcommittee on Trade and Economic Cooperation of the Uzbek-Chinese Intergovernmental Committee on Cooperation. This mechanism will actively study the prospect of partnership in this direction, collect and resolve issues that Chinese companies have in the course of the implementation of investment projects, jointly create a favorable business environment in order to further promote and implement new initiatives. In recent years, a large number of Chinese investors have appeared on the local market, and the number of enterprises with Chinese capital is constantly increasing. The spheres in which they have implemented major projects include the textile industry, the building materials industry, mechanical engineering and many others.

A large number of medium and small enterprises are engaged in business in the tourism and trade areas. In general, the successful activities of Chinese investors clearly reflect the investment attractiveness of Uzbekistan.

Currently, the Association of Chinese Entrepreneurs in Uzbekistan, together with the Chinese Embassy in Uzbekistan and the Uzbek Embassy in China, are actively promoting the establishment of partnerships between enterprises of our countries. The Association holds various seminars, forums, presentations and other events in China to familiarize potential investors with Uzbekistan.

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