

THE IMPACT OF THE BELT AND ROAD INITIATIVE ON UZBEK BUSINESSES

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Abstract. The Belt and Road Initiative (BRI) is reshaping Uzbekistan through Chinese infrastructure and trade financing, but its sustained development effects are unclear. BRI improves regional connectivity, China-Uzbekistan trade, and Chinese renewable energy financing, according to studies. This project also brings new developments to Uzbekistan, including the development of the railway and logistics sectors and entry into international trade and markets. What is clear is that we must grow, and the few obstacles we meet can be conquered with success tactics.

Keywords: *The Belt and Road Initiative, China-Uzbekistan trade, international trade, Silk Road Economic Belt, Maritime Silk Road, Uzbekistan and FDI.*

Introduction

The location of every nation matters also for the growth of commercial routes. The development of several industries greatly depends on Uzbekistan's location. The central Asian position of Uzbekistan. Because of its advantageous position at the meeting point of East and West, tucked between empires and bordering regions of conflict and instability (such as Afghanistan, China's Xinjiang province, and Iran), Central Asia is historically important (eureporter, 2023). Initiated by the People's Republic of China, the Belt and Road Initiative (BRI) is a plan to increase commerce, promote economic growth, and enhance regional integration by linking Asia with Africa and Europe through land and sea networks. A transcontinental corridor known as the Silk Road Economic Belt is part of the BRI and links China by land to Southeast Asia, South Asia, Central Asia, Russia, and Europe. The major objectives of BRI are to benefit not just China but also other nations and are focused at numerous general strategies. Stabilize ethnic unrest in the inner western regions, link these less developed areas, boost international trade flows and enable closer economic integration with China's inner core, enhance regional integration, boost trade and stimulate economic growth at the same time connectivity of facilities, barrier-free trade, financial integration and. Improving and growing interpersonal interactions is also crucial.

Belt and Road Initiative BRI: A Bridge to Opportunities

We should note for reference that 155 nations were identified as having joined the BRI as of August 2023. The participating nations together make up over half of the global GDP and approximately 75% of the world's population. The Belt and Road Initiative's (BRI) land route passes via Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan, five Central Asian nations (Green Finance & Development Center, 2023). According to the statistics, the BRI consists of a 21st century Maritime Silk Road, which connects China's coastal areas with south east and south Asia, the South Pacific, the Middle East and Eastern Africa, and Europe, as well as a Silk Road Economic Belt, a transcontinental route that connects China with south east Asia, south Asia, Central Asia, Russia, and Europe by land. We should point out that the initiative has two directions: one via land networks and the other via water networks. Its goal is to rebuild the old Silk Road. Roads traversing Russia, Kazakhstan, and Uzbekistan are planned for the land direction. Now Afghanistan is following suit. The research being done on the current economic direction, the various innovations being put into practice, and the mutually advantageous agreements being made with China suggest that Chinese corporations may

relocate several enterprises inside their borders to Uzbekistan. Being at the heart of Central Asia, Uzbekistan cannot be left out of any reform or new phase of growth. One of the main advantages for the nation is the quick growth of railways and logistics, as well as the movement of commodities through its rails, given that Uzbekistan acts as a middleman for land communications. Through this project, Uzbekistan is paid for moving transit commodities. State taxes will be levied as well if the Chinese goods stay in Uzbekistan. As another obvious move by China, it can be mentioned that the first train carrying 41 wagons filled with building supplies was dispatched from Langfan, China, (1000 tons for a distance of 6000 km load). Presently, the fastest and shortest way to transport goods from China to Uzbekistan is over land.

By building up BRI one step at a time, we can see that the rate of markets and markets that come from the global market are also going up. By expanding the market and giving the global market and BRI some new possibilities, the number of customers will also grow right away. It's also important to remember that the growth of trade and communication was seen as one of the most important steps toward opening up new areas, trade, and networks. Right now, there are a number of ways that more work or chances should be put into improving Uzbekistan's infrastructure. Its water and transportation systems haven't kept up with changes in population and the economy, and current investments haven't done enough to keep assets in good shape. There is a big backlog of unfinished road repair work that costs about USD 1 billion a year. To handle the expected amount of freight that will pass through Uzbekistan, road infrastructure needs to get 486% bigger by 2030 and 1365% bigger by 2050. Uzbekistan needs the most infrastructure power in the region right now to keep networks running smoothly. Its water and transportation systems haven't kept up with changes in population and the economy, and current investments haven't done enough to keep assets in good shape. There is a big backlog of unfinished road repair work that costs about USD 1 billion a year. To handle the expected amount of freight that will pass through Uzbekistan, road infrastructure needs to get 486% bigger by 2030 and 1365% bigger by 2050. BRI is expected to have a very high level of development for Uzbekistan in order to improve the current level of infrastructure. This is because the program will further develop railways, and by opening up new trade routes, many industries in Uzbekistan will directly benefit.

Foreign direct investment (FDI) opportunities

Following recent reforms, such the opening of the foreign exchange market and the creation of seven special economic zones with tax benefits for investors, Uzbekistan has become an increasingly attractive location for foreign capital. Reinvested earnings doubled to USD 1.2 billion in 2022, driving up FDI inflows from USD 2.53 billion in 2021 to USD 2.27 billion, according to UNCTAD's World Investment Report 2023. By the end of the same period, the entire FDI stock was estimated to be USD 13.63 billion, or roughly 16.9% of the GDP. The Institute of Macroeconomic and Regional Studies (IMRS) estimates that in the first nine months of 2023, Uzbekistan attracted FDI of USD 7.5 billion. According to US Department of State statistics, China (with over 65% of total stock), South Korea, Russia, Kazakhstan, and Turkey are the top investors in Uzbekistan; the main sectors are energy, metallurgy, and chemical (LloydsBank, 2023).

Uzbek export products with high demand in BRI countries

Trade with participating countries of the Belt and Road Initiative (BRI) offers a great deal of promise. We will look at a few Uzbek exports below that are highly sought after in BRI nations.

Textiles and Clothing Producing premium cotton for a long time has made Uzbekistan a top exporter of textiles and clothing. Uzbek textile products have enormous market prospects because of the growing need for textile items in BRI nations like China, Pakistan, and Bangladesh. 94 trillion soums will be produced in Uzbekistan in 2023 if we pay attention to data. Notably, the network's exports in 2023 came to 3.1 billion dollars. Simultaneously, it was

observed that during the previous two years, there has been a decline in the global market for textile goods. Further issues with exchange rates have emerged in our primary export markets. The textile business exported 200 million dollars less than anticipated as a result last year. The President brought out that 570,000 people have permanent jobs in the textile industry thanks to more than 6,000 companies (Daryo.uz, 2024).

Fruits and Nuts: Uzbekistan's fertile lands and favorable climate serve to grow various agricultural products, including fruits and vegetables, nuts. Uzbekistan's climate well suited for growing over 350 types of fruits, vegetables, nuts and beans, herbs and melons.

Over 2 months, 251.2 thousand tons worth \$150 million were shipped for export. This is 1.9 times more than for the same period in 2023.

According to the Statistics Agency, in January-February 2024, Uzbekistan exported 251.2 thousand tons of fruits and vegetables worth \$150.1 million. Compared to the same period in 2023, this amount climbed by 1.9 times, or 115.5 thousand tons. Pakistan (26.6%), Russia (26.1%), Kazakhstan (9.1%), and China (9%) were the top export destinations for horticulture goods. In January-February 2024, fruits and vegetables accounted for 4.1% of total exports.

In order to increase export sectors, Uzbekistan should use strategies such as Quality Assurance, Market Diversification, Investment in Infrastructure, and of course, by focusing on these main directions and implementing strategic initiatives, Uzbek business will become "One Belt, One Way".¹ initiative can use the trade opportunities and contribute to the country's economic growth and development.

Transportation of goods and people across borders has been made simple in Uzbekistan by improved infrastructure including roads and trains as well as networks linking the nation with neighboring countries. This removes logistical obstacles this procedure presents and saves businesses money and time while conducting business both domestically and abroad. Companies can access bigger marketplaces, which also make it easier to reach clients in far-off places and more successfully secure inputs. Improving connection also encourages economic integration and regional cooperation, giving businesses in a variety of industries the chance to work together and establish joint ventures. Modern railroads, roadways, and logistics centers are examples of updated infrastructure that helps businesses succeed in their supply chains. With more reliability and in shorter amounts of time, the best transportation networks enable them to transfer goods between industrial sites, distribution centers, and marketplaces. The substantial decrease of delays is one of the primary safety precautions of eliminating bottlenecks and delays. The whole production and distribution of goods becomes more efficient and harmonious when companies prevent stockouts, have more precise inventory control, and can more easily adjust to changes in demand or input loss. Owing to its better infrastructure, Uzbekistan is now more enticing to foreign investors.

Investing in logistics hubs and providing warehousing and distribution services offer Uzbek businesses massive opportunities to benefit from the BRI. First, the development of logistics hubs and other infrastructure to boost the efficiency of trade under the BRI presents a top opportunity. The government has emphasized infrastructure development, including building logistics hubs, transport corridors, and industrial zones, to promote trade and investment within the BRI. Tashkent, the largest city and capital of Uzbekistan, is a critical logistics hub, as its international airport and railway that link to key BRI countries. Other cities, such as Termez, Navoi, and Khorgos, also have a vital role in trade facilitation. An example of Uzbekistan's effort to build logistics infrastructure is the creation of the Khorgos-Eastern Gate special economic zone located near the Uzbek-Kazakh border. If we consider the statistics and review our country's international logistics index ratings, it can be observed that Uzbekistan occupies the 88th rank with an index rating of 2.6 out of 140 countries included in the 2023 dataset. Thus, investing in logistics infrastructure, using a strategic position, and offering value-

added services provide immense opportunities for Uzbek businesses to gain from BRI. By investing in logistics infrastructure, leveraging their strategic location, and providing value-added services, Uzbek businesses can play a crucial role in facilitating trade flows, enhancing supply chain efficiency, and driving economic growth and development in the region.

Conclusion

Together with progress and achievement inside the "One Belt, One Road" initiative, Uzbekistan has to deal with a number of obstacles. This is exemplified by multiple instances. For instance, consider the huge position that Chinese businesses have taken in the Uzbek economy. Naturally, this is not a problem or a challenge, but it creates time rivalry (Gazeta.uz). Looking back in time, China and Uzbekistan have collaborated for about two millennia already. For big Chinese businesses, the agreements and contracts inked between these two nations have started to be offered on the Uzbek market. Local businesses may be forced out by this competition, particularly the smaller ones, which would reduce their profitability and market share. There is then more rivalry in the market. Build Your Dreams (BYD) automobiles, for example, are one of Uzavtomotors' main rivals nowadays (BYD is the largest automaker in China).

Undoubtedly, the language and cultural obstacles Uzbek companies may face when accessing new markets are one of the difficulties connected to the Belt and Road Initiative (BRI). Along the BRI routes, Uzbek companies will probably come across several cultures and languages other than their own. It can be difficult to communicate, grasp regional business customs, and establish contacts with clients and partners as a consequence. The state and entrepreneurs work on themselves to overcome such issues encountered in doing business, and the desire to learn new things is the reason for faster development and improvement.

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