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ANALYSIS ON THE PROSPECT OF ECONOMIC AND TRADE COOPERATION BETWEEN CENTRAL ASIAN COUNTRIES AND CHINA

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Abstract: China is a large developing country adjacent to Central Asian countries. In recent years, economic and trade cooperation between Central Asian countries and China has developed rapidly, but influencing factors such as International Politics, national policies, and regional security still exist. In the future, cooperation between Central Asian countries and China in areas of advantage will continue to increase, and cooperation in emerging areas will have broad prospects. In the complex international situation, expanding bilateral economic and trade cooperation is of great practical significance to further promoting the common economic development of Central Asian countries and China. This paper proposes to further promote the continuous development of economic and trade cooperation between Central Asian countries and China through measures such as improving cooperation mechanisms and strengthening policy communication.

Keywords: cooperation prospect analysis, Economic and Trade Cooperation, Central Asian countries and China

Introduction

In the field of economy and trade, China has gradually become one of the main trading partners of Central Asian countries. At present, China is Uzbekistan's largest trading partner, Kazakhstan's largest source of imports and second largest export destination, and Turkmenistan's largest source of investment. The cooperation between Central Asian countries and China in bilateral trade, investment, project contracting and labor services has developed rapidly. Expanding the economic and trade cooperation between Central Asian countries and China is of great practical significance to promoting the development of Central Asian countries and China's economy.

Literature Review

In recent years, as the reform results of Central Asian countries have emerged and China's "Belt and Road" initiative has advanced, more and more scholars have paid attention to the research on economic and trade cooperation between Central Asian countries and China. Li Jianrong and Han Jun (2018) noted that reforms in Central Asian countries have promoted political stability and social development, and win-win cooperation is an important development concept for promoting long-term peace and economic growth. Lu Bing (2019) and Nie Li (2018) combined the resource endowments, economy and trade, industries, and markets of Central Asian countries to evaluate the investment environment. They pointed out that FDI

should follow the laws of the host country's market and international practices, and should give full play to the advantages of FDI to promote economic and trade cooperation. Su Chang (2019) uses two analytical frameworks, basic factors and shock factors, to demonstrate that national leaders play an important role in social stability. Wang Bo and Li Yang (2018) proposed to establish a complementary energy cooperation model and a pragmatic energy cooperation system. Zhang Ning (2019) pays attention to the scale and quality of agricultural cooperation between Central Asian countries and China, and suggests that food trade should be included in the international food security cooperation system, combining trade with poverty reduction, agricultural investment, and the construction of a common food market. M. Amonboyev discussed the necessity of introducing foreign capital in terms of the aspects of market structure and corporate governance effectiveness.

Judging from existing research, most scholars have conducted research on economic and trade cooperation between Central Asian countries and China in terms of economic reforms, cooperation mechanisms, and investment environments. They tend to study macroscopic theory and policy. However, there are not many studies that describe the problems in cooperation and the degree of dependence between industries and markets by means of empirical analysis. This article uses empirical research methods to describe the scale distribution, industrial structure, and market complementarity of economic and trade cooperation between Central Asian countries and China. It shows that Central Asian countries and China have promoted the rapid development of economic and trade cooperation through government and corporate investment and import & export in recent years. In addition, this article also predicts the prospects of economic and trade cooperation between Central Asian countries and China.

Research Methodology

The study used statistical methods, empirical, systems and situational analysis. Instrument-methodical research apparatus is based on application, within the framework of the system approach, general scientific methods of research: logical and situational analysis, expert assessments, questionnaires, observation, interviewing, groupings, comparison. These tools have been used in various combinations at different stages of the research, which allowed to ensure the scientific reliability of the final results.

Analysis and Results

1. The status quo of economic and trade cooperation between Central Asian countries and China

1.1 Bilateral trade trends expand

In recent years, the bilateral trade between Central Asian countries and China has generally maintained a growth trend. Statistics show that from 2009 to 2013, the bilateral trade volume increased rapidly from 23.74 billion US dollars to 50.27 billion

US dollars. Since 2014, due to the adjustment of China's industrial structure, the adjustment of the trade structure of Central Asian countries, and the decline in the prices of China's main imports from Central Asian countries, the bilateral trade volume has declined. And the bilateral trade between Central Asian countries and China is quite different. Kazakhstan is China's largest trading partner in Central Asia. In 2018, the bilateral trade volume between China and Kazakhstan reached 19.88 billion US dollars, accounting for 52.4% of China's total foreign trade with Central Asian countries. Turkmenistan is China's second largest trading partner and China's largest source of imports in Central Asian countries. In 2018, China's total imports from Turkmenistan reached 8.12 billion US dollars, accounting for 68.5% of China's total imports from Central Asian countries. In 2018, Uzbekistan's total foreign trade with China surpassed Kyrgyzstan and became China's third largest trading partner in Central Asian countries. China and Uzbekistan actively shared opportunities in the Chinese market and actively expanded total imports from Uzbekistan. In 2018, the trade surplus between China and Uzbekistan was reduced to 690 million US dollars, a sharp drop of 46.1% from 2017. Kyrgyzstan and Tajikistan are China's fourth and fifth largest trading partners in Central Asian countries, and China's total foreign trade with them is 2.0 billion US dollars and 1.51 billion US dollars respectively (see Table 1).

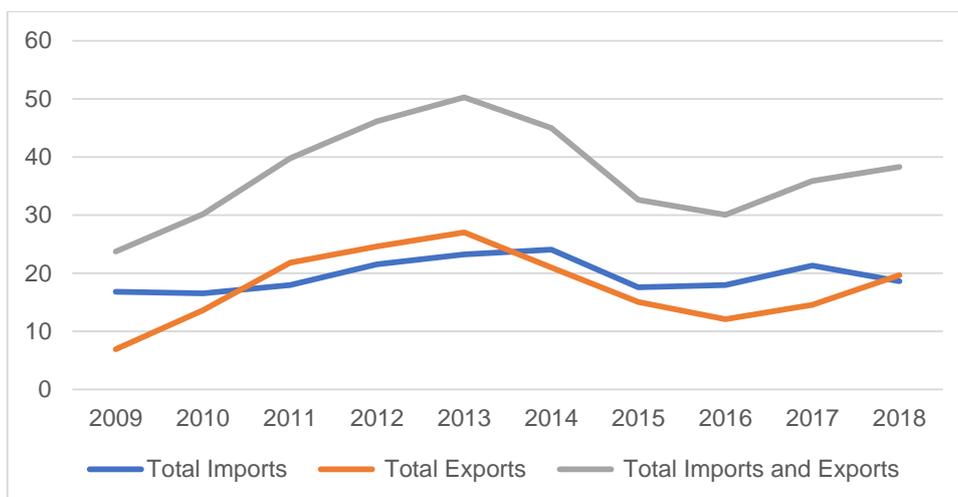


Figure 1 Statistics on the foreign trade of the Central Asian countries to China from 2009 to 2018

Data source: China wind database.

Table 1 Foreign trade statistics of Central Asian countries and China in 2018

Country	Total Imports	Total Exports	Total Imports and Exports
Uzbekistan	3.56	2.87	6.43
Kazakhstan	11.35	8.53	19.88
Kyrgyzstan	1.94	0.06	2.00
Turkmenistan	0.32	8.12	8.44

Tajikistan	1.43	0.08	1.51
total	18.60	19.66	38.26

Data source: China Customs Database.

Statistics show that in 2018, China's imports from Central Asian countries were mainly concentrated in Chapter 27 of the HS Commodity Code (fossil fuels, mineral oil and their distilled products), and imports of such commodities accounted for more than half of China's total imports from Central Asian countries. China's exports to Central Asian countries are mainly concentrated in HS commodity code Chapter 64 (Footwear, leggings and similar products and their parts), Chapter 62 (Non-knitted or non-crocheted clothing and clothing accessories), Chapter 84 (Nuclear reactors, boilers, machinery, mechanical appliances and parts), these three types of commodities account for more than one-third of China's total exports to Central Asian countries. This reflects that the exports of Central Asian countries to China are mainly energy and resource-based products. Uzbekistan's exports to China are mainly resource-based products such as natural gas and precious metals. Kyrgyzstan's exports to China are mainly ore, ore concentrate and precious metals (see Table 2). China exports a wide variety of commodities to Central Asian countries, and in recent years, as China's industrialization process has accelerated, the structure of China's exports to Central Asian countries has undergone major changes. The proportion of traditional agricultural products such as tea and low value-added export commodities such as furniture is gradually decreasing. The export share of products with high technical content such as electromechanical equipment, electrical equipment, vehicles, precision instruments has been increasing (see Table 3). From the perspective of trade structure, Central Asian countries and China are highly complementary. Therefore, the scale of trade between Central Asian countries and China has shown an upward trend in recent years, which is also conducive to the further deepening of economic and trade cooperation between Central Asian countries and China.

Table 2 Statistics of the top five products Central Asian countries exported to China in 2018

country	Kazakhstan	Tajikistan	Kyrgyzstan	Uzbekistan	Turkmenistan
Product Category	Animal and vegetable fats	Ore slag	ore	natural gas	natural gas
	Textiles and raw materials	Raw hides and leathers	Concentrate	cotton	Textiles and raw materials
	Chemical Products	Edible fruits and nuts	Precious metals	Cotton yarn	Chemical Products
	Base metal and products	Base metal and products	Animal and vegetable fats	Copper and its products	Base metal and products

	Plant products	Plastic and its products	Base metal and products	Plastic and its products	Animal and vegetable fats
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Data source: China Customs Database.

Table 3 Statistics of the top five products Central Asian countries imported from China in 2018

country	Kazakhstan	Tajikistan	Kyrgyzstan	Uzbekistan	Turkmenistan
Product Category	shoes and umbrellas	Equipment	Footwear	Machine, machinery	mechanical
	Ceramics, glass	textile	clothing	Motor, electrical equipment	Building materials
	Plastic, rubber	Electrical appliances	Chemical fiber material	Steel products	Metallurgical products
	Furniture, toys, miscellaneous products	Footwear	food	Plastic and its products	Inorganic chemicals
	Textiles and raw materials	Vehicles and spare parts	Vehicles and spare parts	Chemical fiber material	plastic products

Data source: China Customs Database.

1.2 Rapid development of investment cooperation

In terms of attracting foreign investment, China is the main source of foreign investment for Central Asian countries. According to data from the 2019 World Investment Report released by the United Nations Conference on Trade and Development, as of the end of 2018, Central Asian countries had absorbed a total of 34.86 billion US dollars in foreign investment. Among them, China's total direct investment in Central Asian countries was 2.9 billion US dollars, accounting for 8.3% of Central Asian countries' total foreign investment. China's direct investment in Central Asian countries is mainly concentrated in Kazakhstan and Uzbekistan. In 2018, China's total direct investment in the two countries was 1.5 billion US dollars and 950 million US dollars, which accounting for 51.7% and 32.8% of China's total direct investment in Central Asian countries. From the perspective of investment structure, China's investment in Central Asian countries is mainly concentrated in mining, construction, infrastructure and other fields. Take Uzbekistan as an example. Statistics from the country's central bank show that as of the end of 2018, more than two-thirds of China's investment stock in Uzbekistan went to the mining industry, while the rest mainly flowed to construction, finance, real estate, commerce and other industries, and the scale of investment flowing into manufacturing is small.

1.3 Project contracting and labor service cooperation have great potential

In recent years, China's project contracting and labor cooperation with Central

Asian countries have developed rapidly. Chinese companies have signed 151 and 26 new contract projects in Kazakhstan (2016) and Uzbekistan (2017). The newly signed contracts amounted to 3.40 billion US dollars and 410 million US dollars respectively in the two Central Asian countries. A total of 1,145 laborers of various types were sent to Uzbekistan, and 1,823 laborers were in Uzbekistan at the end of 2017. From the perspective of cooperative projects, China-Central Asia Natural Gas Pipeline D line is under construction. The second phase of the China-Kazakhstan natural gas pipeline is under construction. The "Angelian 1×150MW Coal-fired Thermal Power Plant General Contract Project" undertaken by Harbin Electric International Engineering Company in Uzbekistan was successfully connected to the grid for power generation. The second phase of the major cooperation project "Dushanbe No. 2 Thermal Power Plant" between China and Tajikistan has been put into operation in 2016.

2. Main factors affecting economic and trade cooperation between Central Asian countries and China

2.1 The strategic game between the United States and Russia in Central Asia

Due to their geographical location and abundant energy resources, Central Asian countries have become an important stage for the political and economic games of major powers. The external factors that affect the economic development of Central Asian countries mainly depend on the United States and Russia. The "New Silk Road Project" of the United States attempts to open a direct route to the Indian Ocean through Afghanistan, Pakistan and India through Central Asia. It mainly serves the overall strategic layout of the United States in Central and South Asia and the global game between the United States and Russia. Russia believes that the "New Silk Road Project" proposed by the United States and China's "the Belt & Road" initiative conflict with Russia's interests in Central Asia. For geopolitical purposes, the future competition between the United States and Russia in Central Asia will continue, and it will also have a certain impact on the economic and trade cooperation between Central Asian countries and China.

2.2 Some policies affect the in-depth development of bilateral cooperation

Policy uncertainty in Central Asian countries. Uzbekistan's market openness still needs to be improved. Uzbekistan has carried out comprehensive reforms in the political, economic and social fields. The national strategic priority has been adjusted to promote rapid economic development, improve the macroeconomic environment, promote currency liberalization, and improve the investment environment. However, most market operations are still implemented by the state uniformly, and foreign investment approvals are still relatively cautious. The disparity in bilateral cooperation policies between Kazakhstan and China still exists. Taking cross-border tourism as an example, China implements a three-day visa exemption for entry into Kazakhstan, while Kazakhstan implements a very strict visa system for China. In

terms of the amount and level of transportation, Kazakhstan and China's policies are not equal. Kazakhstan transport vehicles can undertake business within China, but Chinese transport vehicles are not allowed to enter Kazakhstan, and the goods need to be transferred to local vehicles to enter the country, which greatly increases the transportation cost. These factors affect the in-depth cooperation between Central Asian countries and China to a certain extent.

3. Prospects of economic and trade cooperation between Central Asian countries and China

3.1 Strengthen cooperation in advantageous areas

Energy, resources and agriculture are the areas of advantage of Central Asian countries, and they are also one of the areas with the largest exports to China in the past 20 years. In the future, cooperation between Central Asian countries and China in these areas will continue to deepen.

First, Cooperation in the field of energy resources. China is the world's largest manufacturing country, and the sustainable development of the manufacturing industry will continue to increase its demand for energy resources in the future. Central Asian countries have relatively small manufacturing industries, but they have abundant energy resources. Therefore, the two parties have strong complementarity in resource fields such as oil and gas and renewable energy. From the perspective of uranium resources cooperation, China is the country with the largest nuclear power plant under construction in the world. With the further expansion of nuclear power plant construction, the demand for uranium resources will also expand. Uzbekistan is rich in uranium resources, and it is of great significance to deepen China-Uzbekistan cooperation in uranium resources. From the perspective of oil and gas energy cooperation, China is the world's largest oil and gas energy consumption country, while countries such as Kazakhstan and Uzbekistan have rich oil and gas resources. As of 2018, Kazakhstan has proven oil reserves of more than 4 billion tons, accounting for 3.2% of the world's total proven reserves, ranking 7th in the world; Uzbekistan has proven natural gas reserves of 3.4 trillion cubic meters, ranking 11th in the world. Therefore, deepening the energy and resources cooperation between Central Asian countries and China has important practical significance.

Secondly, Cooperation in the field of agriculture. Central Asian countries have abundant agricultural resources. Uzbekistan is rich in cotton and has become one of the key investment areas in the textile industry in the world. In the past 20 years, cotton has been Uzbekistan's main export product to China. As Uzbekistan and China jointly carry out more and more cooperation and exchanges in agricultural science and technology, cooperation in agricultural fields such as cotton will be further enriched and expanded.

Thirdly, Promote cooperation in the field of infrastructure construction. At present, Central Asian countries have formulated development strategies, actively

advocated reforms in the transportation sector, and continued to increase infrastructure construction, including road construction, renovation and supporting service facilities, railway electrification and railway network construction, thermal power stations, hydropower stations, modernization of telecommunications networks and water supply networks. Kazakhstan and China jointly issued the "Plan on Cooperation between the Construction of the "Silk Road Economic Belt" and the "Bright Road" New Economic Policy." Uzbekistan and China signed "Memorandum of Understanding on Strengthening Cooperation in Infrastructure Construction", "Cooperation Agreement on the Construction of Small and Medium-sized Hydropower Stations in the Republic of Uzbekistan", "Government International Road Transport Agreement", aiming to continue to promote China and Central Asia State enterprises carry out cooperation in the fields of infrastructure and hydropower on the basis of market principles. From the perspective of the strategic choices, development basis and cooperation intentions of Central Asian countries and China, the cooperation between Central Asian countries and China in the field of infrastructure may be further deepened and strengthened in the future.

3.2 Bright prospects for cooperation in emerging fields

Central Asian countries and China are highly complementary in capacity cooperation in emerging fields. In recent years, Central Asian countries have successively put forward development demands in emerging fields. For example, Uzbekistan and Turkmenistan have proposed the development of solar energy, communications and electronic information industries in their national strategies. China's solar photovoltaic, telecommunications, electronic information and other emerging industries have the world's leading industrial scale and technological level. A large number of multinational companies have emerged, and they have the world's top market shares in many countries. Cooperation between Central Asian countries and China can give play to the effect of industrial division of labor, which is conducive to the rapid development of Central Asian countries. From the perspective of the photovoltaic industry, Uzbekistan has abundant solar energy resources, with a theoretical total value of approximately 51 billion tons of oil equivalent. China has rich experience in the development of solar energy resources, especially the photovoltaic industry, as a strategic emerging industry in China, has world-leading advanced technology and abundant production capacity. Uzbekistan and China have great potential for cooperation in the photovoltaic field. Similarly, in the fields of communications and electronic information, China has broad prospects for cooperation with Uzbekistan and Turkmenistan.

Conclusion and Recommendations

1. Improve the economic cooperation mechanism

Central Asian countries and China should explore the establishment of cooperation and joint governance mechanisms in strategic docking, economic and

trade cooperation, investment protection, and dispute settlement. Economic cooperation mechanisms involving the central government, local governments, pilot free trade zones, development zones, enterprises, associations, research institutions and other institutions should be established and improved.

2. Deepen investment economic and trade cooperation

Central Asian countries and China should strengthen cooperation in the fields of customs clearance, inspection and quarantine, certification and accreditation, standard measurement, etc., to reduce bilateral trade transaction costs and improve customs clearance efficiency. The interconnection of cross-border infrastructure and the use of standard gauge in new railways should be realized between Central Asian countries and China as soon as possible. The construction of communication networks and communication infrastructure between Central Asian countries and China should be jointly promoted to strengthen interconnection.

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