

**THE BELT AND ROAD INITIATIVE OF CHINA IN TERMS OF TRADE,
INVESTMENT AND FINANCE AND ITS IMPACT ON THE REPUBLIC
OF UZBEKISTAN**

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Abstract

Belt and Road Initiative proposed by China and development strategy it involves set a goal to build connectivity and cooperation across six main economic corridors encompassing China and: [Mongolia and Russia; Eurasian countries; Central and West Asia; Pakistan; countries of the Indian sub-continent; and Indochina. Currently, Asia needs \$23 trillion in infrastructure investment by 2025 (Asian Development Bank, 2017), and China can definitely help to provide some of this sum. Its investments in constructing infrastructure are having positive impacts on the countries involved. Mutual benefit is a feature of the BRI which will also help to develop markets for China's products in the long term and to increase industrial excess capacity in the short term. This report explores and quantifies parts of the BRI strategy, the impact on other BRI-participating economies, and some of the implications for Uzbekistan.

Keywords: *China, BRI, economic corridors, Central Asia, infrastructure, investment, trade, implication*

Аннотация

Xitoy ilgari surgan “Bir kamar, bir yo‘l” tashabbusi va oldiga qo‘ygan rivojlanish strategiyasi Xitoy orqali o‘tgan oltita asosiy iqtisodiy koridor: [Mo‘g‘uliston va Rossiya; Yevroosiyo mamlakatlari; Markaziy va G‘arbiy Osiyo; Pokiston; Hindiston yarimorolidagi mamlakatlar; va Hindi-Xitoy bo‘ylab aloqa va hamkorlikni o‘rnatish maqsad qilib qo‘ygan.

Osiyo mintaqasi 2025-yilgacha infratuzilma qurish uchunga 23 trillion dollar sarmoyaga muhtoj (Osiyo taraqqiyot banki, 2017 yil) va Xitoy bu summaning bir qismini taqdim etishda albatta yordam berishi mumkin. Uning infratuzilmani qurishga kiritgan sarmoyalari ishtirok etayotgan mamlakatlarga ijobiy ta'sir ko'rsatmoqda. O'zaro manfaatlar BRIning o'ziga xos xususiyati bo'lib, u uzoq muddatda Xitoy mahsulotlari uchun bozorlarni rivojlantirishga va qisqa muddatda sanoatning ortiqcha quvvatlarini oshirishga yordam beradi. Ushbu maqolada Bir kamar, bir yo‘l loyihasining moliyaviy qismlarini, Bir kamar, bir yo‘lda ishtirok etuvchi davlatlarga ta'siri va O'zbekiston uchun isqtibollari va oqibatlarini tadqiq etiladi.

Аннотация

Инициатива «Один пояс, один путь», предложенная Китаем, и стратегия развития, которую она включает, ставят цель наладить связь и сотрудничество по шести основным экономическим коридорам, охватывающим Китай и: [Монголию и Россию; евразийские страны; Центральная и Западная Азия; Пакистан; страны Индийского субконтинента; и Индокитай.

В настоящее время к 2025 году Азии требуется 23 триллиона долларов инвестиций в инфраструктуру (Asian Development Bank, 2017), и Китай определенно может помочь обеспечить часть этой суммы. Его инвестиции в строительство инфраструктуры оказывают положительное влияние на вовлеченные страны. Взаимная выгода является особенностью BRI, которая также поможет развивать рынки для продукции Китая в долгосрочной перспективе и увеличить избыточные промышленные мощности в краткосрочной перспективе. В этом отчете исследуются и количественно оцениваются части стратегии ОПОП, влияние на другие страны, участвующие в ОПОП, и некоторые последствия для Узбекистана.



Ключевые слова: *Китай, ОПОП, экономические коридоры, Центральная Азия, инфраструктура, инвестиции, торговля*

Kalit so'zlar: *Xitoy, "Bir kamar, bir yo'l", iqtisodiy koridorlar, Markaziy Osiyo, infratuzilma, sarmoya, savdo, amaliyotga tadbiq*

1. Introduction

Recently, China launched the Belt and Road Initiative, a significant global initiative aimed at supporting this trend. As a percentage of the global economy, China and the nations that have partnered with it under the BRI have been growing. Considering that the Belt and Road Project is a Chinese initiative, it is crucial to consider how the Chinese government articulates and characterizes its goals, just as it would with any other nation's policy statements.

This study includes remarks from China's leading policymakers to embrace that strategy. Then, in order to aid in the BRI's implementation, it presents statistics on many parts of the initiative and takes into account areas that might present issues in the future. The Belt and Road Initiative (BRI) is best summed up by President Xi, who says, "China will vigorously encourage international cooperation through the BRI. To do so, we want to establish interconnectivity in the areas of policy, infrastructure, commerce, finance, and interpersonal relations in order to create a new framework for international cooperation and new forces for shared growth."

2. Global Infrastructure needs

Taking an inventory of the world's infrastructure requirements reveals a range of figures and approaches, but all evidence points to a widening investment gap in the world's infrastructure. The main connectivity industries crucial to the BRI, including as transportation, energy, water, and telecommunications, account for a large portion of the global investment shortfall. A variety of evaluated worldwide estimates from various time periods and sectoral horizons are included in Table 1.

These sources indicate that there are between USD 2.9 trillion and USD 6.3 trillion in yearly investment needs. According to current investment trends, this is anticipated to result in a cumulative investment gap of between USD 5.2 trillion and 2030 (McKinsey, 2016), or as much as USD 14.9 trillion to 2040 (GI Hub, 2016), depending on the consideration of the accomplishment of the Sustainable Development Goals (SDGs).



Table 1. Comparison of estimates of global infrastructure investment needs

Source	Sectoral scope	Actual / expected annual investment (USD trillion) ¹	Investment need (USD trillion)		
			Time frame	Total	Per annum
Bhattacharya et al. (2016)	Including power generation, transmission and distribution, primary energy supply, energy demand and efficiency, transport, water and sanitation and telecommunication	3.4 (2015)	2015 - 2030	75–86	5–6
NCE (2014)		-	2015 - 2030	96	6.4
OECD (2017a)		3.4–4.4 (2017)	2016 - 2030	95	6.3 (or 6.9 under a 2°C scenario)
GI Hub (2017)	Including roads, railways, airports, electricity generation, transmission and distribution, water and telecommunication	2.3 (2015) growing to 3.8 (2040)	2015 - 2040	94	2.9 (2015)–4.6 (2040)
McKinsey (2016)	Including transport (roads, railways, airports, and ports), water, power and telecommunication	2.5	2016 - 2030	49	3.3

1. The approaches to estimating actual investment needs and expected investment trends vary widely among studies. See also OECD (2017b).

StatLink  <http://dx.doi.org/10.1787/888933786515>

Asia's infrastructure funding requirements much beyond present and anticipated BRI expenditures. Therefore, meeting these demands will continue to be a top priority on the global development agenda. In order to boost economic development and prevent the expansion of regional gaps, it will be especially important to invest more in infrastructure in the regions outside the current six BRI routes. There is a chance that these nations may not make enough investment in other crucial fields like water and sanitation. Along with the maintenance, repair, and advancement of current infrastructure, it is crucial that investments in low-carbon, sustainable, and high-quality infrastructure, which are a priority of the BRI, receive enough support elsewhere. This will necessitate the participation of other investors, including China and others.





3. Concluding Moments

China has driven strong domestic growth and demonstrated its willingness to invest in large-scale projects to develop the BRI's infrastructure, trade, and connectivity. The BRI is having a significant impact on global finance, investment, and trade:

1. **Investment:** From China's perspective, the BRI strategy of developing markets for its products through hardware connectivity and investing in technology transfer to quickly move up the value-added chain fits with the need to reduce domestic industrial excess capacity in the short term and create a global platform that will facilitate trade and investment with the countries participating in the Initiative, with China playing a central role in the long term. In line with the Bandung principles, many BRI-participating economies, like China, see advantages in establishing strong state and commercial relationships.²⁶ Energy supply and electricity grid connectivity along the Belt and Road is an essential component of the hardware-first strategy. The best way to connect and price the various energy sources that are present throughout the BRI is also a significant issue. In the field of ultra-high voltage lines, China leads. In addition, China has made significant progress in 5G broadband, which is anticipated to play a significant role in the application of big data, the creation of smart grids and cities, remote transportation,



and other projects. However, other nations also have a significant role to play in these areas, and open procurement practices and a general strengthening of the investment environment may be helpful in achieving the lowest possible costs.

2. **Trade:** In this chapter on trade, some very preliminary evidence was presented to distinguish between trade creation effects within a trade bloc and extra-bloc effects for other countries caused by any positive flow-on income and other effects. Extra-bloc effects on exports and imports for BRI-participating economies are strong when they originate from trade blocs where either China or the United States are members. Trade creation is greater in regions where connectivity is likely to be less problematic. This emphasizes the necessity of investment that encourages greater connectivity, and China's participation in the BRI is particularly significant in light of the gravity effects its economy has.

3. **Finance:** All of Asia's infrastructure requirements cannot be met by China alone; These requirements are enormous, and China is already constrained financially domestically (see Chapter 1 of OECD, 2018a). As a result, countries in the BRI and the OECD need to make more efforts to interact with one another. When well-being rises globally, it improves the future of all economies. To attract the necessary capital and guarantee that host nations receive the best value for their money, this necessitates a sound investment environment.

4. **Co-operation:** The OECD is well-positioned to assist nations in enhancing their investment environments. History teaches that markets play a larger role in allocation decisions as living standards rise. The transition has been managed with the assistance of property rights, competition, level playing fields, and sound governance based on voice and accountability. Moving in this direction will encourage more funding from advanced economies and multilateral lending institutions, which is likely to become necessary in economies participating in the BRI as well. There are a number of regional initiatives underway at the OECD that are paying off. As part of the OECD Eurasia Competitiveness Programme, the Central Asia Competitiveness Initiative aims to support entrepreneurship, private sector development, inclusiveness, and the establishment of suitable knowledge-based economies in order to assist nations in increasing productivity. Similar objectives are also the focus of the OECD South-East Asia Regional program. Countries collaborate with OECD Committees on a variety of topics, including taxation, foreign direct investment, competition, bribery and corruption, pensions,



the environment, social policies, and corporate governance. Chapter 3 of OECD, 2018a addresses some of these issues.

Notes

1 This is the term used by President Xi in his Belt and Road speech.

2 Leading Groups are coordinating bodies that address important policy areas. Often led by members

of the Politburo or State Councils, they help to ensure strategic coordination from Beijing.

3 This figure is the most often quoted from an adding up of projects already invested and

foreshadowed for the next 10 years, using their own staff and expert consultants— see

www.pwc.com/gx/en/growth-markets-center/assets/pdf/china-new-silk-route.pdf.

In this study, the

figure seems in the right ballpark, based on actual investment from the start of the BRI and multiple

references to a large number of foreshadowed projects.

4

See:

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