



# The Construction of International Regional Economic Cooperation Mechanism under the "One Belt, One Road" Initiative — Taking Cooperation between China and Uzbekistan as an Example

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**Abstract:** Affected by the new crown pneumonia epidemic, international regional economic cooperation will become more important. Under the "Belt and Road" initiative, China and Uzbekistan have good conditions to establish an economic cooperation mechanism, but they also face various problems. Under the "Belt and Road" international economic cooperation framework, solve the problems faced by the construction of China-Uzbekistan economic cooperation mechanism and build a bilateral trade cooperation mechanism.

**Keywords:** The "Belt and Road" initiative, economic cooperation between China-Uzbekistan, cooperation mechanism construction

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## Introduction

In recent years, the joint construction of the "Belt and Road" initiative has received positive responses from more and more countries and international organizations. The implementation of the "Belt and Road" initiative is inseparable from the support of the economic cooperation mechanism. With the continuous improvement of the "Belt and Road" initiative, a more systematic operating mechanism has been formed. As of January 2020, 138 countries and 30 international organizations have jointly established the "Belt and Road". Among them, Uzbekistan actively participated in the "Belt and Road" initiative.

## 1. Construction and achievements of the China-Uzbekistan economic cooperation mechanism under the "Belt and Road" initiative

### 1.1 Achievements of investment cooperation mechanisms and infrastructure construction between China and Ukraine

From the perspective of the bilateral mechanism of economic cooperation, in the field of investment, in 2017, the governments of China and Uzbekistan signed the "Cooperation Agreement between the Ministry of Commerce of the People's Republic of China and the State Investment Commission of the Republic of Uzbekistan on the Construction of Small and Medium-sized Hydropower Plants in the Republic of Uzbekistan." The document promotes cooperation between enterprises of the two countries in the field of infrastructure construction and hydropower. From the perspective of multilateral cooperation mechanisms, Uzbekistan is a member of the Shanghai Cooperation Organization. Therefore, the investment cooperation between China and Uzbekistan under the "Belt and Road" initiative can be integrated with the existing multilateral and bilateral cooperation mechanisms to promote all-round cooperation.

### 1.2 The financial cooperation mechanism between China and Ukraine

Under the framework of the "Belt and Road" initiative, Uzbekistan actively participates and uses the financial support provided by both parties to carry out related cooperation projects. In June 2018, the Silk Road Fund and the Uzbekistan National Oil and Gas Holding Company signed a cooperation agreement to provide Uzbekistan oil and gas related projects with U.S. dollar and RMB investment and financing support, and to create the "Silk Road" international landmark cultural tourism project. As of April 2020, the Asian Infrastructure Investment Bank has approved five Uzbekistan project financing with a total of 837 million US dollars, mainly for infrastructure construction and rural construction.

## 2. Problems in the economic cooperation between China and Uzbekistan

## 2.1 Small investment

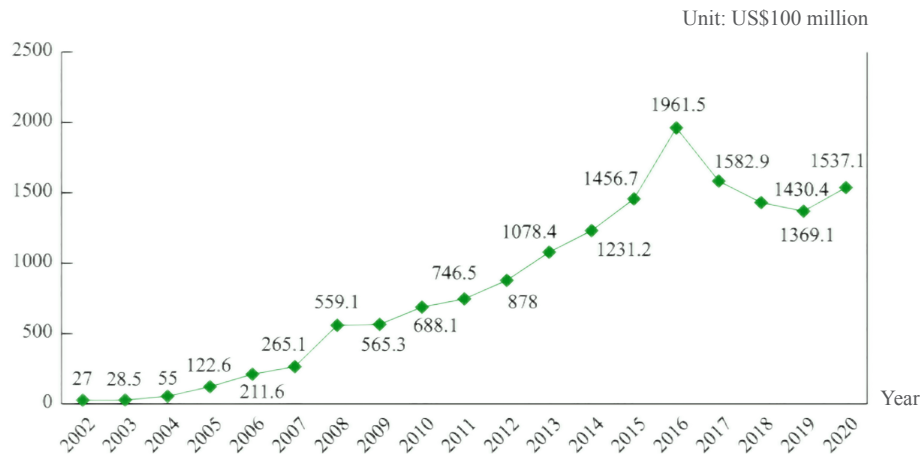


Figure 1. China's foreign direct investment flow from 2002 to 2020

On the whole, the scale of Chinese investment in Uzbekistan is still small, and there has been no new investment in recent years. According to the data of "China Foreign Investment Tracking", China's investment in Uzbekistan is concentrated in real estate investment and energy infrastructure construction, and there is only one industrial park construction project.

## 2.2 Differences in the economic systems between China and Ukraine

Uzbekistan's planned economy is relatively strong. Although it adheres to the principles of "economic supremacy" and "marketization", it also maintains a considerable degree of institutional arrangements for administrative intervention. In addition, the series of economic liberalization reforms mentioned above not only brought positive effects, but also brought negative effects such as high inflation, declining economic growth, and rising unemployment. There is no definite answer yet on what method will be adopted to solve these problems next.

## 2.3 Infrastructure construction in Uzbekistan lags behind

Uzbekistan's infrastructure is relatively backward, which is detrimental to the construction of cooperation mechanisms between China and Uzbekistan in terms of investment, trade and production capacity. Although in recent years with the steady economic growth, Uzbekistan has increased its infrastructure construction, including road construction, renovation, and supporting service facilities construction, railway electrification renovation and railway network construction, and the construction of thermal power stations, hydropower stations, and pumping stations. However, compared with the requirements of a developing country to achieve economic take-off, there is still a big gap.

## 3. Countermeasures and suggestions on China and Uzbekistan in strengthening the construction of economic cooperation mechanism

### 3.1 Increase exports to China and strengthen the establishment of a trade cooperation mechanism between the two countries

China is vigorously promoting a higher level of opening up, coupled with the impact of Sino-US trade frictions, countries along the "Belt and Road" have become increasingly important in China's foreign trade market. Traditionally, Uzbekistan's exports to China are mainly raw materials or natural resources such as cotton, natural gas, and uranium, and in Sino-Uzbek trade, Uzbekistan has been in a trade deficit for a long time. Therefore, on the one hand, Uzbekistan needs to adjust its export structure to China and expand the export of cotton textile products, handicrafts, specialty foods and other commodity types. For example, in the first China International Import Expo in 2018, Uzbekistan brought great Characteristic crafts and food. On the other hand, regarding Uzbekistan's long-standing trade deficit, China and Uzbekistan need to further adjust the trade structure and actively promote the balanced development of trade between the two countries, so as to promote the continuous improvement of the trade cooperation mechanism in this process.

### 3.2 Strengthen the docking with the Eurasian Economic Union and other multilateral and bilateral cooperation mechanisms

The construction of the economic cooperation mechanism between China and Uzbekistan needs to strengthen the docking with the existing multilateral and bilateral cooperation mechanisms. In this process, it is especially necessary to strengthen cooperation with the Eurasian Economic Union. The member states of the Eurasian Economic Union include Russia, Kazakhstan, Belarus, Kyrgyzstan, and Armenia. These five countries and Uzbekistan are all CIS countries and are important partners in the construction of the “Belt and Road”. With a similar historical and cultural background, Uzbekistan has a good foundation for cooperation in strengthening the docking with the Eurasian Economic Union. Therefore, China and Uzbekistan should continue to enhance economic and trade ties with neighboring countries, build an open regional economy, and form a more complete and inclusive economic cooperation mechanism, so as to achieve common development.

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