

**ON SPECIFICS OF CHINA - CENTRAL ASIA RURAL TRADE:
“THE BELT AND ROAD INITIATIVE” CONTEXT**

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Abstract: *China and the Central Asian countries are adjacent to each other, with more than 3,000 kilometers of border, the geographical advantage provides conditions for bilateral trade facilitation, and China and the Central Asian countries are both big agricultural trade countries, with strong demand for import and export of agricultural products, and there are strong complementarities in most of the agricultural products. Therefore, in the process of ensuring the healthy and sound development of the bilateral economy, in-depth analysis of the structure of China's trade in agricultural products with Central Asia is of great practical significance for deepening bilateral agricultural economic and trade cooperation and expanding the scale and openness of trade based on “The Belt and Road Initiative”.*

Keywords: *The Belt and Road Initiative, agricultural trade, country structure, commodity structure*

Introduction

Over the past decade, President Xi Jinping and the heads of State of the five Central Asian countries have signed the documents on the joint implementation of the “the Belt and Road” Initiative, on the basis of good-neighborliness and win-win cooperation. It has become an exemplary model for the construction of a new type of international relations.

The 3rd “Belt and Road Forum for International Cooperation” in Beijing, China, on 17-18 October 2023, with representatives from more than 140 countries and 30 international organizations attending this year's Belt and Road Forum, including Presidents of Uzbekistan, Kazakhstan, Chairman of the People's Council of Turkmenistan, and former Prime Minister of Kyrgyzstan Dzhokhar Otolbayev, reflects the support of Central Asian governments for “the Belt and Road” Initiative, and the importance they attach to the friendly relations between China and the Central Asian countries.

In the 31 years since the establishment of diplomatic relations between China and the five Central Asian countries, China has gradually become the most important trading partner in Central Asia. At present, China is the second largest trading partner of Kazakhstan and Uzbekistan, and the first source of investment and the third largest trading partner of Tajikistan. During the Third “Belt and Road Summit Forum”, President Xi Jinping had

separate meetings with President Mirziyoyev of Uzbekistan and President Tokayev of Kazakhstan, both of whom expressed the continued active participation and support of the Governments of Uzbekistan and Kazakhstan for the «Belt and Road Initiative».

In particular, President Sh. Mirziyoyev proposed “the development of a comprehensive Green Development Program for the practical implementation of key objectives: 1. Green transformation and digitization of economic sectors; 2. Creation of sustainable infrastructure in the transport and energy sectors; 3. Establishment of green industrial capacities; 4. Poverty reduction and "smart" agriculture”.¹ The "smart" agriculture” is the basis for food security and exports and trade.

As for bilateral trade, economic, and investment cooperation they are growing dynamically. In recent years, the volume of Chinese investment has increased fivefold, and the number of companies has tripled. Since the beginning of this year, mutual trade volumes have increased by 36 percent. This figure is expected to exceed \$10 billion by the end of the year. Mutual agreement was expressed that there is every reason to increase trade turnover to \$20 billion in the next five years.²

Agriculture of Uzbekistan and China are complementary. In recent years, Uzbekistan has significantly increased the export of fresh and processed fruits and vegetables. However, it is insufficient. For example, the total volume of agri-food exports is necessary to increase to \$23 billion by 2030, and the share of processed products from the current 25% to 40% by 2030. Production of cotton fabrics, yarn and clothing. Over the past few years, Uzbekistan has achieved notable success in the development of the textile industry. Between 2016 and 2019, cotton fiber exports fell by 55%, while textiles and products increased by 75%. Uzbekistan plans to increase the production of textiles and textile products by 4.6 times, and exports by 4.4 times to \$7.1 billion by 2024. In 2022, the bilateral trade volume between China and Central Asian countries reached \$70.2 billion, up about 40% year-on-year, a record high. According to China's customs statistics, in the first half of 2023, China's trade with Central Asian countries increased by 35.6% year-on-year, with strong development momentum and a more optimized trade structure. China and the Central Asian countries have also built a close agricultural partnership. In 2001, the total trade in agricultural products between the two sides was only \$69.6 million, and by 2022 it will have reached \$2.06 billion, which is an increase of about 29 times. According to China's customs statistics, in January-April 2023, China's

¹ Sh. Mirziyoyev. Address by President of the Republic of Uzbekistan, at One belt One road third international forum/ <https://president.uz/en/lists/view/6777>

² The leaders of Uzbekistan and China discuss further strengthening the comprehensive strategic partnership <https://yuz.uz/en/news/bir-makon-bir-yol-forumi-ishtirokchilari-tantanali-kutib-olindi>

agricultural trade with the five Central Asian countries totalled \$740 mln, up 34.4% year-on-year. Among them, exports were \$360 million, up 36.1%, and imports were \$380 million, up 32.9%.

This paper identifies Sections 1-4 and 50-53 of section 11 as agricultural products by reference to HS codes. The details are as follows:

Table 1. HS codes for agricultural products

Sections	Product name
Section 1 (01-05)	live animals; animal products
Section 2 (06-14)	vegetable products
Section 3 (15)	animal, vegetable or microbial fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes
Section 4 (16-24)	prepared foodstuffs; beverages, spirits and vinegar; tobacco and manufactured tobacco substitutes; products, whether or not containing nicotine, intended for inhalation without combustion; other nicotine containing products intended for the intake of nicotine into the human body
Section 11 (50-53)	textiles and textile articles

Source: Harmonised System of Coding (HS codes) in the UN Comtrade Database.

1. Country structure of China's agricultural trade with the Central Asia

Because of all the differences in the natural conditions and agricultural scales of Central Asian countries, China's agricultural trade with Central Asian countries is mainly concentrated in Kazakhstan, Uzbekistan and Kyrgyzstan.

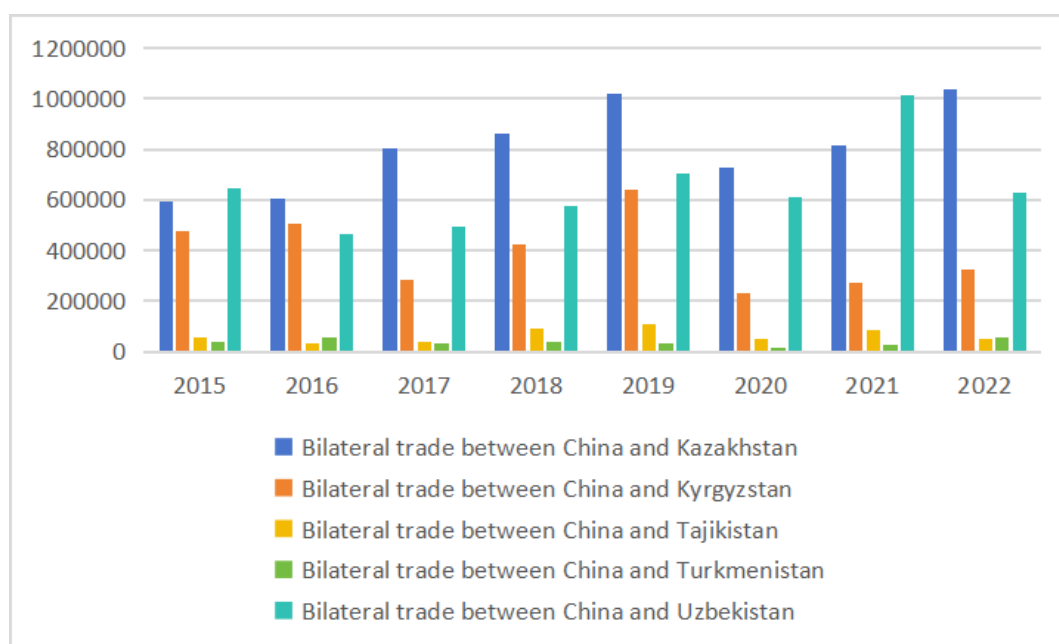


Figure 1 Import and export of agricultural products between China and Central Asian countries, 2015-2022 (USD thousand)

Source: UN Comtrade Database.

In 2022, for example, the amount of agricultural trade between China and Kazakhstan is 1.037 billion US dollars, accounting for 49.5% of the total agricultural trade between China and the five Central Asian countries. Among them, China's trade with Kyrgyzstan amounts to \$324 million, accounting for 15.5%; China's trade with Tajikistan amounts to \$52 million, accounting for 2.5%; China's trade with Turkmenistan totals \$53 million, accounting for 2.5%; China's trade with Uzbekistan amounts to \$630 million, accounting for 30.0 %.

China's import market for agricultural products in Central Asia is mainly concentrated in Uzbekistan and Kazakhstan, and since 2002, imports from these two countries accounted for up to about 90 % of the total imports from the five Central Asian countries, and for a long time, Uzbekistan was China's largest trading partner in Central Asia's agricultural products trade, which changed in 2022. In 2022, China's imports of Kazakhstan's imports of agricultural products amounted to \$577 million, accounting for 53.8% of China's total imports from the five Central Asian countries, making it the largest source of Chinese imports in Central Asia that year. China's agricultural imports from Uzbekistan reached \$449 million, or 41.9%.

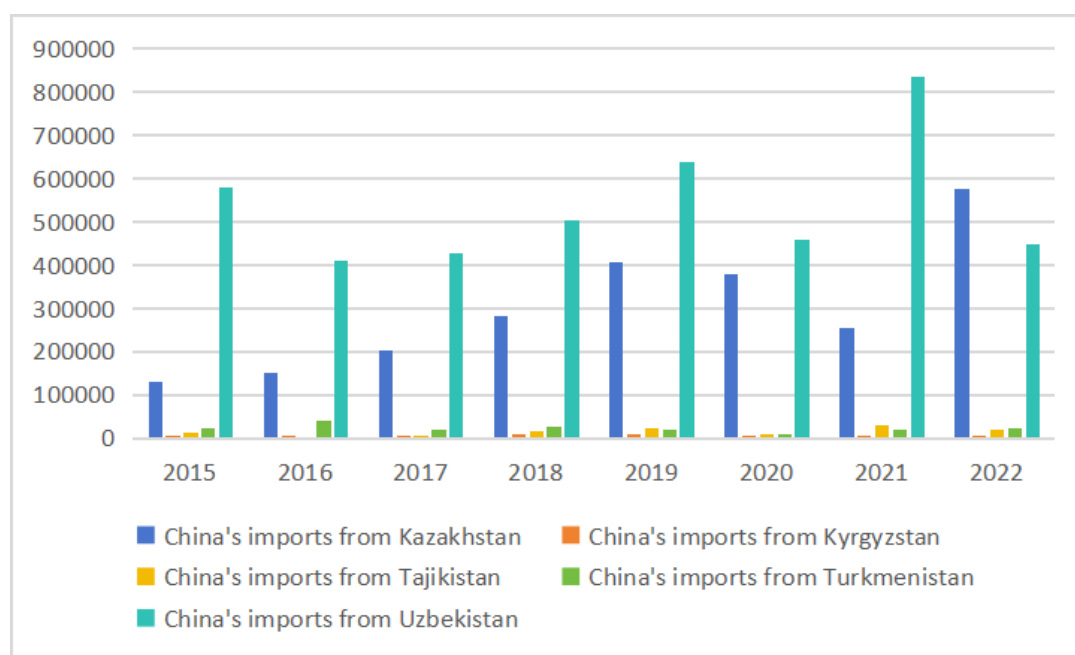


Figure 2 Country structure of agricultural imports between China and Central Asia (USD thousand)

Source: UN Comtrade Database.

The export markets for Chinese agricultural products in the five Central Asian countries are mainly concentrated in Kazakhstan, Kyrgyzstan and Uzbekistan. Since 2001, Kazakhstan has been the largest export destination for Chinese agricultural products in Central Asia, accounting for about 40% of China's total agricultural exports to Central Asia, and after 2005, the scale of China's agricultural exports to Kyrgyzstan has continued to expand, accounting for about 30% of the value of exports, and it has become the second largest export market for China's agricultural products in Central Asia. China's agricultural exports to Uzbekistan accounted for about 10% of the value of exports, and has grown rapidly in the past three years, and has become China's third agricultural export market. In the past 10 years, although China's share of agricultural products exported to Tajikistan and Turkmenistan is smaller, it is also increasing year by year. In 2022, China's exports of agricultural products to Kazakhstan, Kyrgyzstan, Uzbekistan, Tajikistan, and Turkmenistan were \$459 million, \$321 million, \$181 million USD, \$32 million, and \$31 million USD, accounting for 44.85%, 31.39%, 17.69%, 3.09%, and 2.98%, respectively.

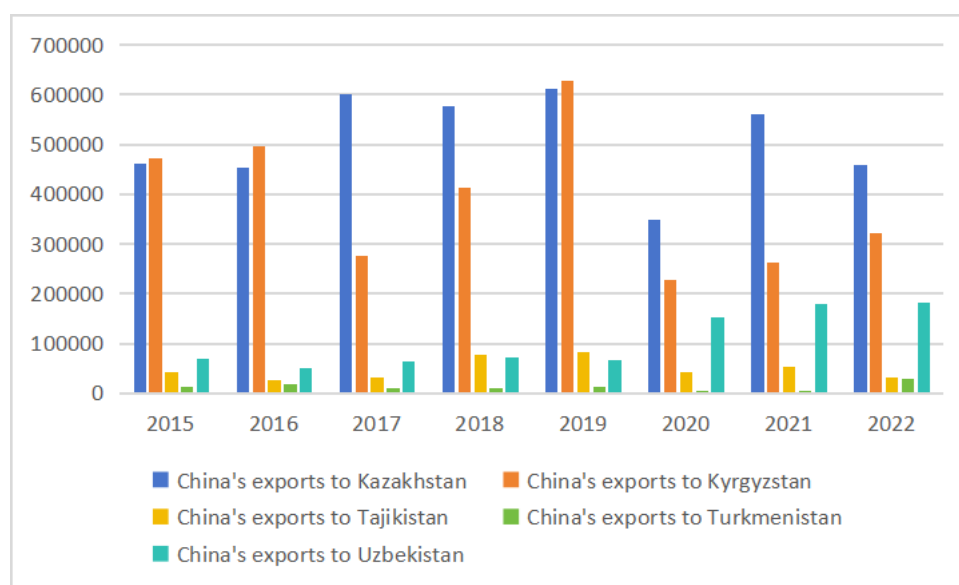


Figure 3 Country structure of agricultural exports between China and Central Asian countries(US Dollar thousand)

Source: UN Comtrade Database.

2 The commodity structure of agricultural trade between China and Central Asian countries

China and the Central Asian countries are both rich in agricultural resources, a wide range of agricultural products, respectively, have their own advantages of agricultural products, for the two sides of the agricultural trade has laid a good foundation.

2.1 China's imports from the five Central Asian countries

As shown in Figure 4, the section 11 is the most important agricultural product imported by China from the five Central Asian countries, accounting for about 60% of the total import trade between the two sides. This is followed by the section 2, with a share of around 25%. The section 3 has been growing rapidly in recent years, and its share has reached about 10%. The section 4 accounted for about 5% and the first major section of trade in live animals and animal products has always been very small, accounting for less than 2%.

In 2022, China imported \$1,072 million of agricultural products from the Central Asian countries. The decline in China's demand for global cotton due to the international economic situation and exchange rates led to a 55.6% decline in the trade size of section 11 imports from the five Central Asian countries to \$340 million. Imports of section 2 products grew to US\$460 million, accounting for 42.96% of China's total agricultural imports from the Central Asian countries, overtaking section 11 products.

Among all the agricultural products imported by China from the Central Asian countries, the highest proportion is HS52, HS12 and HS15, accounting for 29.38%, 20.40% and 14.8%

respectively in the import trade in 2022, while all other agricultural products accounted for less than 10 %, with 18 categories of commodities accounting for less than 1%.

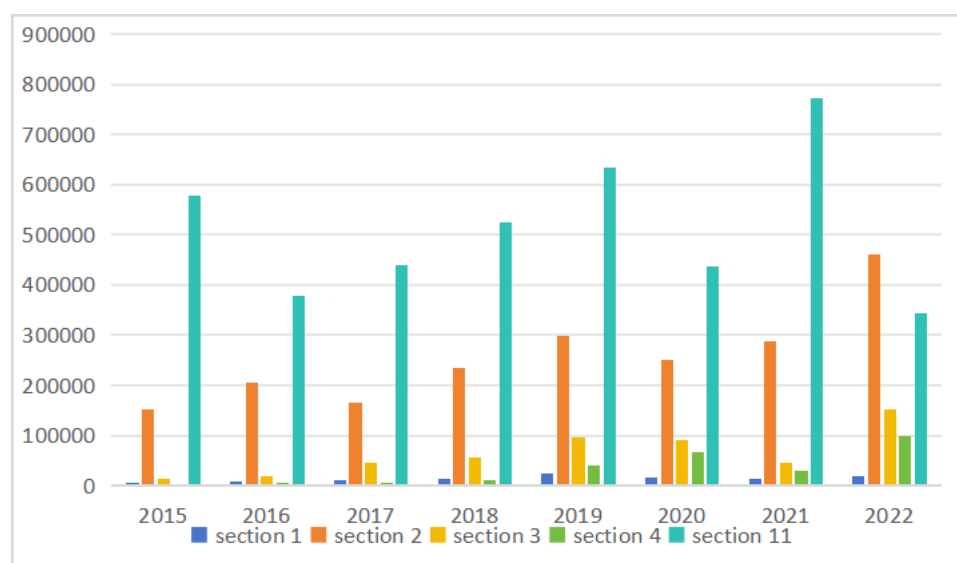


Figure 4. Commodity structure of China's agricultural imports from Central Asian countries
(US Dollar thousand)

Source: UN Comtrade Database.

2.2 China's exports of agricultural products to the 5 Central Asian countries

As shown in Figure 5, before 2020, the section11 is the most important agricultural products exported by China from the five Central Asian countries, accounting for about 50%, followed by the section 2, accounting for about 30%.After 2020, the trade size and share of the situation of the two commodities changed significantly, the section 11 showed a declining trend in the share of the products, and was overtaken by the section 2. In 2020, China's exports the section 2 products amounted to \$340 million, accounting for 47.72% of the total, while the section 11 products dropped to \$220 million, accounting for 31.13 % of the total. The trade in the two categories of products in 2022 amounted to \$473 million and \$158 million, accounting for 48.14% and 16.08 % of the total.

At present, the section 2 has become the most exported commodity category from China to the five Central Asian countries, of which the main exports are HS7, HS8, HS9 and HS12, and the export value of these four categories of commodities in 2022 will be \$62.4 million, \$25.0 million, \$10.4 million, and \$54.5 million. The trade size of section 4 has been relatively stable, and in 2022 there was a surge, even surpassing the section 11 commodities, reaching \$333 million, accounting for 33.95 %. The trade size of section 3 and the section 1 has always been small and is not a major agricultural product exported by China to Central Asia.

Among all the agricultural products exported from China to the five Central Asian countries, the ones with the highest proportion are HS8, HS 20 and HS9, accounting for 24.62%, 10.75% and 10.61% of the export trade in 2022, while all the other agricultural products account for less than 10% of the total, with 16 categories of goods accounting for less than 1%.

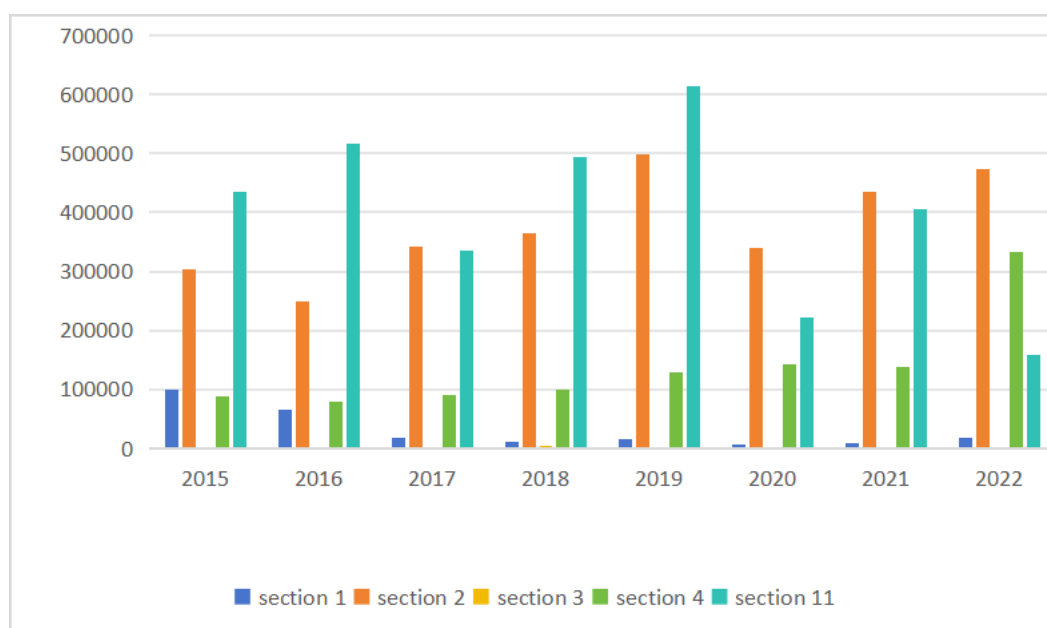


Figure 5 Commodity structure of China's agricultural exports to Central Asian countries(US Dollar thousand)

Source: UN Comtrade Database.

Table 2. Specific import and export of agricultural products between China and Central Asian countries, 2022 (US Dollar thousand)

HS code	product name	China's imports	share in imports	China's exports	share in exports
1	Live animals	0	0.00%	0	0.00%
2	Meat and edible meat offal	702	0.07%	11646	1.19%
3	Fish and crustaceans, molluscs and other aquatic invertebrates	440	0.04%	2155	0.22%
4	birds' eggs; natural honey; edible products of animal origin, not elsewhere	2436	0.23%	1	0.00%
5	Products of animal origin, not elsewhere specified or included	14416	1.34%	3588	0.37%

6	Live trees and other plants; bulbs, roots and the like; cut flowers and ornamental foliage	0	0.00%	606	0.06%
7	Edible vegetables and certain roots and tubers	120899	11.27%	62447	6.35%
8	Edible fruit and nuts; peel of citrus fruit or melons	29021	2.71%	241988	24.62%
9	Coffee, tea, maté and spices	68	0.01%	104238	10.61%
10	Cereals	66477	6.20%	782	0.08%
11	Products of the milling industry; malt; starches; inulin; wheat gluten	2063	0.19%	399	0.04%
12	Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit; industrial or medicinal	218716	20.40%	54460	5.54%
13	Lac; gums, resins and other vegetable saps and extracts	14344	1.34%	7798	0.79%
14	Vegetable plaiting materials; vegetable products not elsewhere specified or included	9078	0.85%	430	0.04%
15	Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal	152090	14.18%	558	0.06%
16	Preparations of meat, of fish or of crustaceans, molluscs or other aquatic invertebrates	0	0.00%	19468	1.98%
17	Sugars and sugar confectionery	535	0.05%	25854	2.63%
18	Cocoa and cocoa preparations	6427	0.60%	3181	0.32%
19	Preparations of cereals, flour, starch or milk; pastrycooks' products	572	0.05%	6030	0.61%
20	Preparations of vegetables, fruit, nuts or other parts of plants	59	0.01%	105599	10.75%
21	Miscellaneous edible preparations	0	0.00%	96508	9.82%
22	Beverages, spirits and vinegar	256	0.02%	926	0.09%

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23	Residues and waste from the food industries; prepared animal fodder	84564	7.89%	6931	0.71%
24	Tobacco and manufactured tobacco substitutes	6379	0.59%	68059	6.93%
50	Silk	17705	1.65%	150	0.02%
51	Wool, fine or coarse animal hair; horsehair yarn and woven fabric	10094	0.94%	78593	8.00%
52	Cotton	315038	29.38%	78592	8.00%
53	Other vegetable textile fibres; paper yarn and woven fabrics of paper yarn	0	0.00%	687	0.07%

Source: UN Comtrade Database.

As can be seen from the above data, the section 11 both in terms of exports and imports, is in an important position in the agricultural trade between the two sides. The main reasons: 1. China is the world's textile and garment industry, but the domestic supply of cotton is insufficient, and Central Asia is the world's famous cotton producing areas, so Central Asia has long been one of the main sources of China's imports of cotton; 2. Subject to a variety of constraints, the Central Asian countries of the textile and garment industry is relatively backward, small scale, few varieties, obsolete processing equipment, low level of technology, and therefore every year will also be from China to import a part of textile raw materials. Part of the textile raw materials. In addition to the section 11, the section 2 accounted for about 30% of bilateral agricultural trade. The share of the section 1 is declining faster, mainly because of the obvious decline in China's exports to the five Central Asian countries, with the total trade in these products accounting for 6.23% of the two sides' agricultural trade in 2015, and falling to 1.72 % in 2022. The section 4 products trade share stabilises after a steady decline. The section 3 has a small import and export value, and its trade share was below the level of 1% in the period 2001-2014, and improved after 2014, but its trade share is still very small.

Conclusion

Along with the friendly agreements between China and Central Asian governments, more and more agricultural enterprises in Central Asian countries have been granted export licences to China, and more and more diversified agricultural products with Central Asian characteristics have entered the Chinese market and won the favor of consumers, thus the agricultural trade between China and Central Asian countries has shown great vitality.

However, through the analysis of China and Central Asia's agricultural products by country and commodity structure, it is found that the two sides of the agricultural trade in a single region and product problems, the main trade varieties are concentrated in a few kinds of agricultural products, the lack of diversification and differentiation, the trade object countries are also mainly in the 2 or 3 countries between. This may lead to a high degree of trade dependence, and once the market demand or supply changes, the trade will be affected more. The relative lag in the level of agricultural science and technology in Central Asian countries has led to lower average yields and a lack of innovation in the varieties of agricultural products in each country, which has constrained the growth rate of China's trade in agricultural products imported from Central Asia. In addition, the Central Asian countries do not have a strong capacity for deep processing of agricultural products, resulting in low value-added export products, low unit prices and a lack of competitive advantage.

In order to solve these problems, Central Asian countries and China can continue to deepen their agricultural economic and trade cooperation and exchanges, increase the number of agricultural cooperation bases, expand the scale of training, and encourage more Chinese agricultural enterprises to invest in Central Asian countries.

Central Asian countries can strengthen the processing and value-added capacity of agricultural products and develop more competitive varieties of agricultural products to meet the diversified needs of the Chinese market.

In addition, Central Asian countries can learn from China's "rural revitalization" strategy, promoting agricultural industrialization, adopt the "company + base + farmers" model of leading agricultural enterprises or the "cooperative organization + farmers" linkage model. The first model operates by linking leading enterprises, production bases and farmers through contractual agreements, forming a multi-party, closely integrated production + marketing, agricultural and industrial integration of production and management mode dominated by leading enterprises.

The second model is to link up dispersed farm households to form rural cooperatives, which work together to carry out technical cooperation, information transfer, financing, marketing services, transport and other cooperation. Farmers provide high-quality agricultural products to the cooperative economic organizations in a timely manner, and the cooperative economic organizations provide farmers with services such as seeds, technology, information, financing and operation, thus forming a body of interests between farmers and the cooperative economic organizations in which the benefits are shared and the risks are shared.

In addition, Governments can encourage major agricultural production areas to explore their own advantageous products, promote "one village, one product", cultivate high-quality agriculture, build agricultural brands and promote the development of the certification of

geographical indications for agricultural products.

In May 2023, the China-Central Asia Summit was successfully held, with 9 official documents adopted and signed, 54 consensus and initiatives reached, and 19 cooperation mechanisms, interactive platforms and exchange forums established at the initiative of China. A series of bilateral documents signed by leaders of China and Central Asian countries, such as *China-Kazakhstan Joint Declaration*, *China-Kyrgyzstan Joint Declaration*, *China-Tajikistan Joint Declaration*, and *China-Uzbekistan Joint Declaration*, cover major areas such as economy and trade, investment, energy, transport, agriculture, science and technology.

On 17 October 2023, at the opening ceremony of the Third Belt and Road Forum, President Xi Jinping announced China's support for eight high-quality actions to build the "Belt and Road" which has clarified a new direction, opened up a new vision and injected new momentum into the "Belt and Road". During the Forum, a total of 458 achievements were made, far more than those of the Second Forum. The entrepreneurs' conference also resulted in \$97.2 billion in commercial contracts, which will create more jobs and growth for all countries. It is foreseeable that in the future, the economic and trade relations between China and Central Asian countries will become more and more united and close, with a growing share of Uzbekistan.

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