

FACTORS AFFECTING INTERNATIONAL TRADE BETWEEN UZBEKISTAN AND CHINA

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Political, economic and other reasons, among others, may influence the expansion of international trade. Companies' decisions to trade globally are influenced by exchange rates, competitiveness, increasing globalization, tariffs and trade barriers, transportation costs, languages, cultures, multiple trade agreements, and other factors.

To expand international trade, government economic policies are critical. A politically stable country with few restrictions on foreign trade is likely to be able to quickly increase its foreign trade. However, political instability can become a serious obstacle to expanding trade.

Another important factor is the exchange rate. The exchange rate of a currency is its price in relation to another currency. The exchange rate fluctuates depending on the supply and demand of each currency. If a country's currency is in high demand, its price will often rise. Due to currency fluctuations, it is often cheaper to buy goods in one country and sell them in another. Thus, exchange rates have a significant impact on international trade.

Exchange rate volatility determines the overall dynamics of effects, pass-through and the associated absorption capacity of the exchange rate. The ability of exchange rates to transmit external (price) shocks to the national economy is one of the most discussed topics regarding the current stage of monetary integration.

Competitiveness

In the current environment, with increasing market interdependence and competition, it is becoming increasingly difficult for enterprises to maintain their current market positions¹.

Competitiveness is a measure of the relative ability of different countries to provide different goods and services. Competitiveness considers efficiency, labor costs, level of government regulation and business convenience. Competitiveness affects international trade because more competitive countries can achieve higher levels of international trade².

According to the Doing Business 2020 study conducted by the World Bank Group, in 2019 Uzbekistan implemented four significant reforms aimed at improving the business climate and achieved results that allowed the country to take a place in the top twenty countries with the fastest rates of improvement in the investment climate. In the Doing Business 2019 study, Uzbekistan was ranked 69th in the world with a score of 69.9 out of 100, a significant improvement from its 76th place in 2018.

The most notable Uzbek reforms are:

- Strengthening the protection of minority investor rights by expanding shareholder rights and participation in important business decisions, clarifying ownership and control structures, and mandating increased corporate transparency;
- Optimizing tax payments, combining infrastructure tax and corporate income tax;
- Facilitating international trade by streamlining risk-based inspections and compliance with import documents;

¹ Svarova, M., Vrchota, J. (2014). Influence of Competitive Advantage on Formulation Business Strategy. In *Procesia Economics and Finance*, vol. 12, p. 687-694

² James T. (2014). Factors influencing international trade. [online]. Access on http://www.ehow.com/info_8210281_factors-influencing-international-trade.html

By implementing the Omnibus Law on Voluntary Mediation, establishing financial incentives for parties to mediate, and publishing data on evaluating the effectiveness of local arbitration courts, contract enforcement can be facilitated.

Doing Business documents the methods officially required or frequently used by entrepreneurs to establish and formally operate an industrial or commercial enterprise, as well as the time and cost of completing these procedures and the minimum paid-up capital requirements. These processes include obtaining necessary approvals, licenses and permits, as well as submitting any mandatory notices, inspections or citations for the company and its personnel to the appropriate authorities. Countries are ranked according to the ease of starting a business by sorting their scores for starting a business. The average score for each component indicator is calculated.

After reviewing laws, regulations, and publicly available company entry information, a detailed list of procedures is compiled, including the time and cost required to comply with each procedure under typical conditions, as well as minimum paid-up capital requirements. Local lawyers, notaries and government officials then analyze and verify the data.

To make statistics consistent across countries, certain business and procedural assumptions are made.

Table 1. Competitiveness in Uzbekistan³

Параметры	DB 2021 Rank	DB 2021 Score	DB 2020 Score	Change in points (% points)
Overall	69	69.9	67.8	2.1
<u>Starting a Business</u>	8	96.2	96.0	0.2
<u>Dealing with Construction Permits</u>	132	61.7	61.4	0.3
<u>Getting Electricity</u>	36	86.9	86.0	0.9
<u>Registering Property</u>	72	67.9	67.0	0.9
<u>Getting Credit</u>	67	65.0	65.0	..
<u>Protecting Minority Investors</u>✓	37	70.0	62.0	8
<u>Paying Taxes</u>✓	69	77.5	76.9	0.6
<u>Trading across Borders</u>✓	152	58.2	49.8	8.4
<u>Enforcing Contracts</u>✓	22	71.9	68.2	3.7
<u>Resolving Insolvency</u>	100	43.5	45.2	- 1.7

As you can see from the table above, almost all business criteria have increased compared to 2020. This is also associated with economic and business reforms, which will also increase international trade.

³ <https://archive.doingbusiness.org/>

Empirical analysis of factors influencing trade cooperation between Uzbekistan and China can be carried out using various methods, such as correlation analysis, regression analysis and time series analysis. Important factors that may be considered in this analysis include:

1. Economic Growth: Study the relationship between the GDP of both countries and the volume of trade.
2. Tariffs and non-tariff barriers: Analysis of the impact of trade barriers on trade cooperation between two countries.
3. Exchange Rates: Study of the impact of exchange rate fluctuations on trade relations.
4. Political Stability and Cooperation: Assessing the impact of political stability and bilateral cooperation on trade relations.
5. Infrastructure and logistics: Studying the impact of the development of transport infrastructure and logistics services on trade cooperation.
6. Investments: Analysis of the relationship between foreign direct investment and trade cooperation between Uzbekistan and the PRC.
7. Technological cooperation: Assessing the impact of technological cooperation on trade relations.
8. Cultural and Historical Ties: Study the influence of cultural and historical ties on trade cooperation between two countries.
9. Regional integration: Analysis of the impact of regional integration processes on trade cooperation between Uzbekistan and the PRC, such as the Shanghai Cooperation Organization and One Belt, One Road.

References:

1. Svarova, M., Vrchota, J. (2014). Influence of Competitive Advantage on Formulation Business Strategy. In *Procesia Economics and Finance*, vol. 12, p. 687-694
2. James T. (2014). Factors influencing international trade. [online]. Access on http://www.ehow.com/info_8210281_factors-influencing-international-trade.html
3. <https://archive.doingbusiness.org/>
4. <https://www.xe.com>