

## Research On Chinese Enterprises' Investment In Uzbekistan Transportation Industry

GAO Yang

China (Xinjiang) and Central Asia Regional Economic Cooperation Research Center, Xinjiang  
University of Finance & Economics; Xinjiang Vocational University, Urumqi, China

**Keywords:** Chinese enterprises; Uzbekistan; transportation industry

**Abstract:** Although Uzbekistan's investment environment is not perfect, but recently the situation has changed, especially in the foreign policy of the government of Uzbekistan to develop and implement the laws and the introduction of foreign capital to improve the environment plays an important role. This paper mainly introduces the development situation and investment policy of the transportation industry in Uzbekistan, and analyzes the favorable factors and unfavorable factors of the investment environment of Uzbekistan. Based on the above analysis, the paper suggested the Chinese enterprises should fully use of the preferential investment policy of Uzbekistan, analysis and evaluation business and avoid the investment risk as for the better investment.

### Current situation of transportation industry in Uzbekistan

By the end of 2013, Uzbekistan has the 6000 km length railway, in which electrified railway is 930 km and plans to make 2000 km electric railway in the next few years. Uzbekistan railway has 18 international docking point, the intensity of the distribution of railway network is higher than Russia, Kazakhstan, Tajikistan and Turkmenistan. Uzbekistan actively participate in and support the establishment of international transport corridors, which connect Afghanistan, Pakistan and Iran railway has been progress. In 2015, 81 million 800 thousand tons of goods and 20 million 100 thousand passengers transported by the railway.

In highway construction, Uzbekistan highway is total 185 thousand km, of which there are 42 thousand and 500 km of public roads. The public highway includes 3 thousand and 600 kilometers of international road, 16 thousand and 900 km State Road and 22 thousand km of state and local highway. At present, the number of road indicators are in line with modern international standards.

In the waterway, Amu Darya is an important channel for Uzbekistan to develop economic and trade relations with Afghanistan and Central Asian neighbors. In the territory of the Uzbekistan river course is about 500 km mileage and no harbour. Compared to other modes of transport, water transport in the Uzbekistan is small proportion.

In aviation, there are 12 airports in Uzbekistan, including such Tashkent, Bukhara, Samal A, Urgench and Termez international airport. In 2015, Uzbekistan air transport has transported 41 million 800 thousand tons goods and 2 million 572 thousand passengers.

### Investment policies for the development of transportation industry in Uzbekistan

Uzbekistan has been attracted foreign investment into the field of giving priority to the development of the Uzbekistan economy, and promulgated the "Foreign Investment Law" and "Foreign Investment Protection and Maintenance Measures". In April 2012, President Karimov issued "Additional measures to promote foreign direct investment" and other relevant laws, which provides many rights, benefits and privileges for foreign investors.

In the "Foreign Investment Law", the Uzbekistan government hopes that foreign companies establish large-scale enterprises, and give the following preferential conditions, as followings: the statutory capital amount of foreign enterprises is greater, and the proportion of foreign investment is the greater, the more preferential policies would be provided by Uzbekistan in terms of tax revenue and the possibility of business exchange is more. The Uzbekistan government encourages foreign investors invest in the raw materials, high technology, communications, transportation, energy, infrastructure and other areas, and uses profit return, foreign exchange and other preferential policies to protect the priority of the projects.

### **Analysis on investment environment of transportation industry in Uzbekistan**

#### **Favorable Factors**

The World Bank raised Uzbekistan's Doing Business index by 54 place, up to the 87 of the list, which was one of the top 10 countries in the fastest growing business environment in the country in 2016.

From 1991 to 2015, Uzbekistan GDP grew 5.5 times and the economy continued to grow. The banks and the financial system are stable and sustainable. Enterprise income tax reduced from 45% of the 90s to 7.5% in 2015, the value-added tax reduced from 30% to 20%, unified social tax reduced from 40% to 25% (small and medium enterprises reduced to 15%), small and medium enterprises single tax reduced from 15% to 6% (industry reduced to 5%). According to the calculation of Uzbekistan, it will need \$3.54 trillion to achieve their goals by 2020 in the field of traffic, road construction and retrofit, which including \$2.2 trillion in railway construction and electrification construction and \$1 trillion air transport construction. On the whole, Uzbekistan will attract more capital and has a good investment environment.

Besides, from the table below, we can see that Uzbekistan transportation utilization of foreign capital is more, accounting for more than an average of 27.45%. It also suggests that the Uzbekistan government encourages foreign investment in this field.

TABLE I Foreign direct investment in Uzbekistan from 2008 to 2011

Year	2008		2009		2010		2011	
Item	Trillions UZS	proportion (%)						
Total foreign direct investment	0.95559	100	1.25319	100	1.53387	100	1.82913	100
Transportation	0.23963	25.1	0.39355	31.4	0.45625	29.7	0.43160	23.6

Source: <http://www.stat.uz/>

#### **Unfavorable Factors**

Uzbekistan has a relatively low degree of openness to the outside world, and the social system is closed and conservative. Although Uzbekistan exercise the exchange of foreign exchange freely, the actual operation of the foreign exchange control is still very strict.

At present, the main factors affecting the investment of Chinese enterprises in Uzbekistan is also the issue of transfer. Because The Central Bank of Uzbekistan requires 50 per cent of the foreign exchange earnings to be forced to settle, and it is difficult to cash in on a corporate exchange, which caused Chinese enterprises will be forced to foreign exchange earnings to reinvest in Uzbekistan and it is difficult to return to domestic.

## **Suggestions for Chinese enterprises to invest in Uzbekistan transportation industry**

First of all, the Uzbekistan government encourages foreign investors to enter the transportation industry. So before engaging in the specific investment, Chinese enterprises should fully understand the various preferential policies for the foreign investment in order to make good use of the investment.

Secondly, most of the transportation investment projects have a long construction cycle and long payback period. Therefore, before the investment, the enterprises must carry out a full investigation, analysis and evaluation of the proposed investment projects. The Chinese enterprises can make full use of the local government, intermediary organizations and The offices of the Chinese Embassy to obtain as much more real and effective information of the proposed investment as possible.

Thirdly, it is necessary to fully study and master the laws and regulations of the Uzbekistan, act in accordance with normal procedures, and pay close attention to changes in laws and regulations as for integrating into the local market as soon as possible.

Finally, Chinese enterprises should establish a good corporate image from economic development, expanding employment, public spirited etc. to give back to the local society actively, and avoid unnecessary misunderstanding and alleviate rejection and doubts.

## **REFERENCES**

[1]Information on

[http://www.ccpit.org/Contents/Channel\\_3590/2015/0226/448182/content\\_448182.htm](http://www.ccpit.org/Contents/Channel_3590/2015/0226/448182/content_448182.htm)

[2]Information on <http://www.cnzsy.com/yazhou/364823.html>

[3]Information on <http://uz.mofcom.gov.cn/article/ztdy/201403/20140300508139.shtml>

[4]Information on <http://www.mofcom.gov.cn/article/i/dxfw/ae/201603/20160301267470.shtml>