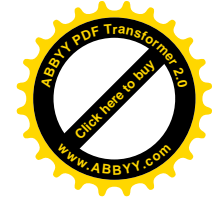




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SILK ROAD ECONOMIC BELT: STRENGTHENING THE KYRGYZ-CHINESE COOPERATION

ЭКОНОМИЧЕСКИЙ ПОЯС ШЕЛКОВОГО ПУТИ: УКРЕПЛЕНИЕ КЫРГЫЗСКО-КИТАЙСКОГО СОТРУДНИЧЕСТВА

В данной статье рассмотрены вопросы кыргызско-китайского экономического сотрудничества в рамках возрождения Нового Шелкового пути, решение этих вопросов должно быть сбалансированным и взаимовыгодным для всех сторон. В статье представлен общий анализ существующих экономических связей между странами, взаимовыгодные направления сотрудничества.

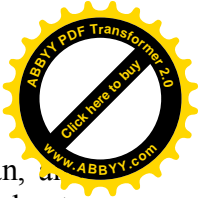
Ключевые слова: кыргызско-китайское экономическое сотрудничество, «Один пояс - один путь», Экономический пояс Шелкового пути, энергетические и транспортные проекты, Сианьский транспортный университет, Кыргызский государственный университет строительства, транспорта и архитектуры им. Н. Исанова (КГУСТА), Евразийский экономический союз, баланс интересов.

In this article, issues of the Kyrgyz-Chinese economic cooperation within revival of the New Silk Road investigated, the solution of these issues should be balanced and mutually beneficial for all the parties involved. The article presents a general analysis of existing and upcoming ways of mutually beneficial cooperation between countries.

Key words: kyrgyz-chinese economic cooperation, «One Belt - One Road», The Silk Road Economic Belt, energy and transport projects, Xian JiaoTong University, Kyrgyz state university of construction, transport and architecture n.a. N. Isanov (KSUCTA), Eurasian Economic Union, balance of interests.

The aim of the research is the elaboration of some areas of the Kyrgyz-Chinese cooperation within the project of the Silk Road Economic belt. Nowadays, China has huge plans for economic growth, increasing its influence in the Eurasian region, in particular in the countries of Central Asia. According to hypothesis of the research we assume that every country should find ways and directions to cooperate internationally based on the balance of interests of the parties (in this case, Kyrgyzstan-China). Through using SWOT-analysis some advantages and possibilities of the parties revealed, also actions to achieve beneficial cooperation between countries based on a balance of interests outlined. The article has some practical implications; the obtained results can be applied in order to expand the participation of Kyrgyzstan in the Silk Road Economic Belt. One should note that this cooperation should obtain some socio-economic benefits for the both parties, and take into account the national interests of the parties.

The Kyrgyz Republic is a small country in Central Asia. One of the major problems hampering its growth is low rates of economic development, insufficient development of transport infrastructure in the republic, lack of access to global sea and railway routes, which impedes its trade and economic relations with other countries. Nowadays, the ideas on the Great



Silk Road renovation have been studied by such countries as China, Russia, USA, Iran, Turkey etc. Kyrgyzstan developed own Silk Road doctrine in 1996, but it wasn't realized due to insufficiency of considerable financial resources required on updating and creation of the corresponding transport and other infrastructure. Over the years, Kyrgyzstan became a member of several world and regional associations (The World Trade Organization, the Shanghai Cooperation Organization, the Eurasian Economic Union, Collective Security Treaty Organization etc.) in which it has had its political and economic obligations as well as benefits.

In 2013, the Chairman of the People's Republic of China Xi Jinping put forward the idea of creation of The Silk Road Economic Belt. All the countries in the Central Asian region supported the initiative of revival of the New Silk Road, which may expand international trade relationships and cooperation between these countries, using the created transit potential. Especially China intends to support the countries of the region in terms of the modernization and construction highways and the railways.

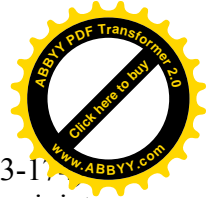
The Silk Road Economic Belt fits into interests and is able to find points of interaction with the Eurasian Economic Union and other regional integration associations. The implementation of this project will allow these countries to create a new format of closer ties between them in a wide range of activities. Hence, the idea of the Silk Road Economic Belt creation will allow the Central Asian region to join the world globalization processes more harmoniously.

The theoretical basis of this research are fundamental theories and concepts of world systems, globalization and economic integration, regionalization and internationalization of the national economies, presented in the works of researchers (B.Balassa, T.Friedman, R.Robertson, I.Wallerstein, V.Belousov, I.Gurova, N.Figurnova, V.Lomakin, R. Hasbulatov, N.Ovcharenko, V.Zuev, O.Baburina, O.Bahlova, M.Potapov, E.Kochetov, A.Linetsky, I.Andronova, T.Koychuev, T.Chorotegin, B.Pazilov, R.Sabirov, etc.). As a methodology of the study, we used an approach that combines historical, structural, functional, logical, inductive and hypothetic-deductive methods, system-analytical, statistical and SWOT-analysis, theoretical modeling.

The integration processes can be defined as the logical result of the technical and economic evolution of social development, in which physical frontiers no longer play the primary role, and the interweaving and interdependence of economic structures and relationships are developing. Basis for the creation and development of these relations is the internationalization of production factors, including capital, labor, technology and knowledge [1, p.706]. In addition, there are such reasons as uneven economic development, lack of resources, and an urgent need for joint solutions of common global issues (environment, epidemics, hunger and education). All this has resulted in expanding international cooperation and division of labor, the production of some products has already gone beyond the national economies, evolving and growing foreign policy and economic relations between the countries.

The Kyrgyz Republic bordered by such countries as Kazakhstan, Uzbekistan, Tajikistan and China. Kyrgyzstan and China have common borders in the southeast with a length of 1,049 kilometers. The relationships between the population of present-day Kyrgyzstan and neighboring population, in particular with the Chinese people, have been taking place since ancient times. So, some historical sources inform that as early as at 128 before our era the Chinese scout and ambassador Zhang Jiang visited Issyk-Kul. He noticed the similarity of traditions and rituals of the usuns and huns [2]. Later, with great interruptions, these relations have continued, kyrgyz ambassadors and rulers traveled to China. Moreover, in 709 kyrgyz, chinese and turgesh created a tripartite military alliance, but in 758 the embassy exchanges ceased due to the uighur conquest of Kyrgyz. Later, during the reign of Emperor Yi Zong (860-873), three kyrgyz embassies visited China, and also the ambassadors of Chingiz khan visited kyrgyz people in 1206-1207. At the end of the 18-th century, the Qin envoys visited kyrgyz tribes - Sarybagysh, Sayak, Cherik, Chonbagysh and others [3, p.19].

The Government of the People's Republic of China was among the first countries recognized the independence of Kyrgyz Republic (December 27, 1991) and in January 1992 the



important agreements in the field of diplomatic and trade relations were signed [4, p.173-174]. The first examples of economic cooperation in the sphere of the production were the joint ventures «Kitlap», «Bakai-Inpack», «USU Salkyn-beer», «Taatan», etc. [5, p.11]. Later, the parties have repeatedly signed the agreements and joint statements concerned the relations of good-neighborliness, friendship and cooperation between Kyrgyzstan and China.

Nowadays, the People's Republic of China actively promotes the initiative called «One Belt - One Road», combining two large-scale projects «Silk Road Economic Belt» and «21st-century Maritime Silk Road», which are aimed to integrate globally countries of Asia, Europe and Africa, as by the land and by the sea. Implementation of the Silk Road Economic Belt project aimed to build new transit transport routes and the development of logistics, tourism and social infrastructure by land from China to Europe. This project is focused on the shift of the centers of the world influence with a high degree of integration (economic and political) and strategic partnerships. One should note that this project not intended to create a new integration association, it based on the strategic coordination of the partners (as the members of the integration association - Shanghai Cooperation Organization (SCO), Association of South-East Asian Nations (ASEAN) etc., and as single countries). The project proponent intends to create favorable conditions for technological development, investment and trade.

Chinese President Xi Jinping in his speech in Kazakhstan (2013) announced the highlights of the initiative. This concerns the political harmonization of programs and measures to promote the regional cooperation, the construction of an integrated transport network, strengthen of the trade relationships and currency flows, friendship and communication between countries [6]. So, since September, 2013 relationships between Kyrgyzstan and China have had accepted more strategic partnership structure. Numerous agreements in political, economic and cultural areas signed and discussed. Specifically, this project is to bring huge advantages for Kyrgyzstan, first, in the economic plan.

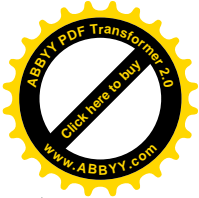
China is one of the largest trade partner of Kyrgyzstan, it took the second place in import (after Russia) in 2016 amounted to 1.55 bln.\$ US or 28.34% of the total amount. Although, due to the crisis in the world economy, in 2014-2015 there was a reduction of import supplies from China. In comparison to 2013 a decrease of import was about 28%. At the same time, export from Kyrgyzstan to China takes the sixth place amounted to 80.1mln.\$ US or 15.9% of the total amount. Also in 2015 the amount of export was reduced and amounted to only 58.5% of the level of 2012 (tab.1). This suggests that there is a high potential for mutually beneficial trade. So, for instance, through agreements, export from Kyrgyzstan to China has been increasing, in particular, industrial, agricultural goods and electrical energy.

Table 1- Export-import relations of Kyrgyzstan (KR) with China, mln. \$ US

	2011	2012	2013	2014	2015	2016
Indicators				Export		
Totally in the KR	2242.2	1927.6	2006.8	1883.7	1482.9	1544.6
China	42	61.4	39.0	32.8	36.2	80.1
%	3.19	1.78	1.93	1.74	2.14	15.9
				Import		
Totally in the KR	4261.2	5576.3	5987	5734.7	4153.9	3919.1
China	923.5	1214.9	1432	1106.9	1049.5	1468.4
%	21.67	21.78	23.91	20.9	25.29	37.47

Source: the data of the National statistical committee of the Kyrgyz Republic are presented in the annual publications «Investments in the Kyrgyz Republic 2012-2016», «External trade of the Kyrgyz Republic (2011-2015, 2012-2016)».

China is one of the largest investors of Kyrgyzstan. As it is can be seen from fig.1, in 2013-2015 direct investments from China were significant - 468.3 mln.\$ US and 474.4 mln.\$ US respectively, but in 2014 this indicator decreased by 2.14 times and amounted to 221.7 mln.\$



US, the same situation was in 2016 – a reduction was equal to 301.3 mln.\$ US (or 57.5%).

It is due to the following factors: unstable political and investment climate of Kyrgyzstan, joining the Eurasian Economic Union (EAEU), etc. Despite this, the total amount of the planned investment in the economy of Kyrgyzstan exceeds 3 bln. \$ US. China provided there public with a number of multimillion credits, including construction of the high voltage line «Datka-Kemin» (more than 386 mln.\$ US), reconstruction of the highway «Bishkek-Naryn-Torugart»(more than 600 mln.\$ US), construction of North-South highway (more than 850 mln.\$ US), modernization of Bishkek thermal power station (more than 386 mln.\$ US), construction of the new gas pipeline (1.5 bln.\$ US) [7].

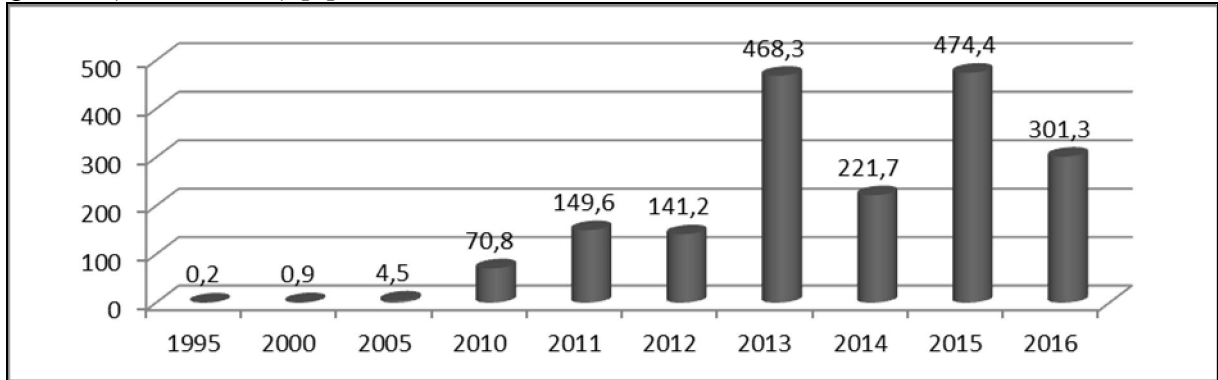
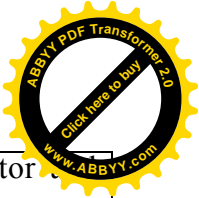


Fig. 1. Dynamics of receipt of direct foreign investments from China to Kyrgyzstan, mln.\$ US

Hence, China begins to play an important role in the economic and socio-cultural spheres of Kyrgyzstan. One should note that despite of dynamically developing relations between Kyrgyzstan and China, there are a number of factors, having a threat for the parties. These threats connected with the national interests of the both parties. As N.P. Figurnova notes, each country pursues the superiority of its interests [8, p.13-14], this is one of the principles of the market economy described by A.Smith. In this theory instead of an economic person, there is a whole state with its own national interests. So, each country seeks to defend its own interests, providing a competitive advantage to its economy. In order to investigate these factors we conducted a SWOT-analysis (tab. 2).

Table 2 - SWOT - analysis of economic cooperation

Strengths	Weaknesses
The Kyrgyz Republic (KR):	
1. Refusing of the re-export model of economic development due to the accession of the KR in the EAEU 2. Desire to establish mutually beneficial strategic partnership with a neighboring country 3. Presence of the wide range of applications of the investment resources in the KR 4. Availability of a wide market under the condition of co-production of high-quality and cheap goods	1. Insufficient development of production potential of the KR, the lack of innovation in production 2. Frequent changes in composition of the Government 3. Instability and inconsistency of the existing economic policy of the KR 4. The lack of clear targets and strategic approach to realization of economic and other agreements 5. Cautious (sometimes, and selfish) attitude of the population of the KR to expand cooperation with China
China:	
1. One of the largest world economies with impressive amount of export and domestic consumer market	1. The slowdown of economic growth related to the change of the economic model, the slowdown of the manufacturing sector growth (orientation is



<ol style="list-style-type: none"> 2. Presence of significant investment resources in relation to the continuing efforts of the authorities to remove trade and investment barriers 3. Developed industrial and technological potential 4. Hard-working, disciplined and cheap labor resources 	<p>not to the production, but the service sector (domestic consumption)</p> <ol style="list-style-type: none"> 2. Dependence on export capacity of other countries (USA, Japan, EU) 3. The growth of public debt and starting capital outflows 4. The lack of innovation in manufacturing
Advantages	Threats
The Kyrgyz Republic (KR):	
<ol style="list-style-type: none"> 1. Increase of Chinese investments in development of production, transport, education 2. Development of industry through the construction of new joint ventures (mining, manufacturing, light industry, food, etc.) 3. Modernization of the transport infrastructure of the KR 4. Ability of the KR to enter into other markets (the post-Soviet republics, Europe, south-east countries) 	<ol style="list-style-type: none"> 1. Increase of economic (credit) dependency 2. Replacement of domestic enterprises in the domestic market of the KR by foreign companies due to their low competitiveness 3. Increased inflow of migrant workers from China 4. Hypothetical «military expansion» of China
China:	
<ol style="list-style-type: none"> 1. Implementation of the scale concept of the Silk Road Economic Belt 2. Entering new global markets through the territory of the KR 3. Preparation of loyal attitude of the population of the KR 4. Inclusion of the KR into a number of safe and reliable neighbors 	<ol style="list-style-type: none"> 1. A further slowdown in the Chinese economy and the world economy 2. Failure to achieve targets of the Silk Road Economic Belt 3. Instability of political situation in Kyrgyzstan 4. Strengthening of terrorism, extremism and separatism in the region 5. Change of political forces in the world

As the analysis shows, the advantages of Kyrgyzstan are presence of a wide range of applications of investment resources in the country and the presence of a wide consumption market of cheap goods with high quality. On the other hand, the following opportunities will be favorable: the development of industry through the construction of new joint ventures (mining, production, food and light industry, etc.) and modernization of transport infrastructure of the republic.

The strengths of the People's Republic of China are the availability of significant investment resources; the efforts made by the authorities to remove trade and investment barriers, and sufficiently developed industrial and technological potential. Among the opportunities for China are implementation of the large-scale concept of the Silk Road Economic Belt and the introduction to the new large markets through the territory of the Kyrgyz Republic.

By conducting SWOT analysis of the main parameters of the parties involved in the interaction, we identified the strengths and opportunities of Kyrgyzstan and China, which should become a platform for long-term cooperation between our countries. At the same time, in relations with China, we seek a balance of interests.

Doubtlessly, that the modern world cannot be viewed without the integration processes, the basis of which is the division of labor on the level of individual households and countries in the world market. At the same time, most people view the regional integration processes as an attempt made by individual states in order to protect themselves from the dangers and threats caused by the globalization of the world economy [9, p.72]. These processes tend to give an impetus to the development of science and technologies, also contribute to a faster spread of technical innovation, the exchange of goods and services, the interpenetration of cultures and ideas throughout the world.

From an economic point of view, the integration processes can be readjusted by the changing criteria of optimality of economic space, taking into account the size of the market and



the availability of production factors. In order to achieve these criteria small and medium-sized countries integrate with each other, mainly with larger countries. Such large countries tend to strengthen their positions through forming a market that can ensure their economic domination both at the global level and integrated own space [10]. Weak agents forced to obey the rules, «the processes of the globalization leave billions of people living in poor countries on the side lines» [11, p.29]. However, obviously, they also have certain benefits from such associations. According to T. Koychuev: «Globalization brings new trends of the world economy to the economy of each country, also the experience of advanced countries, the requirements and recommendations worked out by international economic and financial organizations of a globalized economy»[12, p.6].

The projects that improve the transport infrastructure, power generation, educational and scientific spheres are very important for ensuring growth and implementation of opportunities of Kyrgyzstan. When choosing investment projects in industry and transport, it is necessary to take into account the economic, technical and political aspects of their implementation.

In the field of education and culture – it is necessary to take into account opportunities for the formation and development of human capital, common cultural values and ideas. The most important thing for China is to form understanding, interest and tolerance of the population of the country, where it is going to invest significant investment resources. On the other hand, the revival of the Silk Road will give an impetus to the development of Kyrgyzstan, and to the economies of other countries of the region.

The implementation of this grandiose project initiated by the People's Republic of China will increase trade between the countries, also it will increase economic, scientific and technical potential of the countries, strengthening friendship and improving the welfare of the population. This cooperation will be mutually beneficial and entail to increased prosperity of both countries.

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