

**THE "ONE BELT, ONE ROAD" PROJECT AS A STRATEGY OF CHINA AND ITS IMPACT  
ON THE INVESTMENT CLIMATE IN UZBEKISTAN**

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**Abstract**

This article examines the impact of the Chinese initiative "One Belt, One Road" (OBOR) on the development of the investment climate in Uzbekistan. The author reveals the historical prerequisites and theoretical foundations of the project, considering it a modern continuation of the ancient "Silk Road." The main focus is on key aspects of OBOR implementation, including the modernization of transport infrastructure, the development of energy projects, and the introduction of financial and credit mechanisms that promote the growth of small and medium-sized enterprises. The work demonstrates how these measures allow Uzbekistan to diversify its economy and reduce dependence on the traditional agricultural sector, while simultaneously strengthening its role in regional and global trade and logistics networks. The institutional environment determining the prospects for cooperation with China is also analyzed, and recommendations are provided to enhance the efficiency of OBOR implementation, taking into account localization and technology transfer. It is concluded that with a comprehensive approach to the development and management of projects within the framework of OBOR, Uzbekistan has a unique opportunity to accelerate economic reforms, increase the competitiveness of domestic producers, and lay the foundations for long-term sustainable growth.

**Keywords:** "One Belt, One Road," investment climate, Uzbekistan, economic diversification, transport infrastructure, energy projects, financial and credit mechanisms, small and medium-sized enterprises (SMEs), integration.

**INTRODUCTION**

The historical roots of the "Silk Road" trace back to ancient times when caravan and maritime routes connected the most remote corners of Eurasia, stimulating not only trade but also extensive cultural, technological, and religious exchanges [1]. Spices, silk, and other valuable goods were supplied from Asia to Europe, while scientific knowledge and cultural traditions spread in the opposite direction, forming a unique civilizational environment [2]. Such interconnectedness between East and West contributed to the establishment of stable economic systems and the deepening of cultural dialogue among peoples.

The modern initiative "One Belt, One Road" (OBOR), proposed by China, largely reflects and develops the concept of the ancient "Silk Road," offering the creation of new and the improvement of existing transport, economic, and cultural corridors [3]. In this initiative, Uzbekistan occupies a special place, considering its geostrategic location in Central Asia and rich resources that can contribute to strengthening the country's role in international trade relations [4]. Uzbekistan's participation in the OBOR project not only opens up new opportunities for economic diversification but also influences the formation of a favorable investment climate in the region.

This article will analyze how the implementation of the OBOR project affects the economic development and investment attractiveness of Uzbekistan. Special attention is given to key aspects of cooperation with China, including the modernization of transport and energy infrastructure, as well as financial and credit mechanisms that contribute to the strengthening of small and medium-sized enterprises. In the long term, these processes may act as a catalyst for further economic reforms and promote a deeper integration of Uzbekistan into global trade and investment networks.

## **2. Theoretical Foundations and Research Methodology**

The theoretical foundations for studying the "One Belt, One Road" (OBOR) initiative are based on an interdisciplinary approach that combines elements of global economic theory, geopolitical analysis, and the concept of sustainable development [5]. Within the framework of the modern geo-economic paradigm, state projects aimed at creating and strengthening regional economic corridors are viewed not only as a factor of trade and economic integration but also as a powerful tool for transforming the socio-political landscape [6]. The participating countries, including Uzbekistan, receive an additional incentive to modernize their infrastructure, attract foreign direct investment, and improve institutions, which ultimately reflects on the overall level of their investment attractiveness [7].

The methodological framework of this study combines both quantitative and qualitative approaches to analysis. The primary method used is a case study, focused on the detailed examination of specific projects in the infrastructure and energy sectors. This approach allows for the identification of key drivers and barriers that arise during the implementation of the OBOR in Uzbekistan, as well as the assessment of the direct and indirect effects of these projects on the national economy [8]. Additionally, a comparative analysis of macroeconomic indicators and statistical data on the inflow of foreign direct investments is applied, enabling the comparison of investment dynamics from China with inflows from other countries. To summarize the results, content analysis of government documents, publications in industry journals, and academic works dedicated to current issues of economic cooperation between China and Uzbekistan is employed [9].

Thus, the comprehensive combination of theoretical models and empirical research methods provides an opportunity to gain a deeper understanding of the mechanisms of the impact of FDI on the structural transformations of Uzbekistan's economy and the formation of a favorable investment climate.

## **3. Key aspects of the implementation of the "One Belt, One Road" project in Uzbekistan**

### **3.1. Development of Transport Infrastructure**

One of the priority areas within the framework of the Belt and Road Initiative (BRI) is the modernization and expansion of Uzbekistan's transport infrastructure, which is aimed at strengthening its transit potential and increasing its competitiveness in international markets [10]. In the context of globalization, an efficient transport and logistics system becomes a key factor in attracting investments and stimulating industrial growth, as it reduces transaction costs and provides faster access to raw material and commodity markets [11].

One of the most significant projects in this area was the Angren-Pap railway line, laid through the Kamchik Pass. Its length exceeds 120 kilometers, and the route includes a tunnel approximately 19 kilometers long, built with the participation of the Chinese company China Railway Tunnel Group [12]. The completion of construction in 2016 reduced transportation time between the eastern and central regions of Uzbekistan, as well as increased the throughput capacity of cargo flows, which contributes to the development of domestic and international trade.

Moreover, significant efforts are being directed towards the modernization of highways and logistics centers, which allow for the optimization of cargo flows and simplify access to foreign markets. Such measures not only strengthen Uzbekistan's position as a strategic link in the Central Asian transport network but also contribute to the formation of a more favorable investment environment, expanding opportunities for the development of small and medium-sized enterprises and attracting foreign companies to create joint ventures [13].

Thus, the development of transport infrastructure within the framework of the OPOP becomes a key driver of the structural transformation of Uzbekistan's economy, providing an impetus for increasing the competitiveness of regional producers and stimulating the inflow of foreign direct investments into related industries.

### **3.2. Energy Projects and Economic Diversification**

The development of energy infrastructure within the framework of the Belt and Road Initiative (BRI) contributes to the deepening of economic cooperation between China and Uzbekistan and provides an additional impetus for the diversification of the Uzbek economy [14]. Energy initiatives allow Uzbekistan to strengthen its own energy security through the modernization of existing generating capacities, the construction of new stations, and the implementation of renewable energy sources, which in the long term contributes to the development of a "green" economy [15].

An important example of large-scale energy projects in Uzbekistan is the wind complex, with a planned total capacity of 1000 MW. Its implementation is being handled by one of the largest energy construction companies in China, Energy China. This project is designed to meet the electricity needs of approximately two million people and demonstrate the feasibility of using renewable energy sources in the region [16]. In addition, the modernization of hydropower facilities, such as the Andijan HPP, is being carried out with financial support from the Export-Import Bank of China, which allows for a reduction in the burden on the state budget and the implementation of more efficient technologies [17].

The expansion of cooperation in the energy sector goes hand in hand with the processes of economic diversification: through increased electricity generation, reduced energy deficits, and infrastructure development, conditions are created for the growth of industry, agriculture, and the service sector. Moreover, investments in energy projects stimulate the development of the local labor market, as they involve the engagement of local personnel and material suppliers. All this forms a favorable investment climate in which foreign and local investors are ready to invest in the development of related industries, such as equipment manufacturing and construction, creating additional growth points for the national economy [18].

### **3.3. Financial and Credit Mechanisms and the Development of SMEs**

Within the framework of the "One Belt, One Road" (OBOR) initiative, financial and credit instruments play a key role in strengthening the investment climate and stimulating the development of small and medium-sized enterprises (SMEs) in Uzbekistan. Major Chinese banks and international financial institutions offer preferential credit lines, grants, and other forms of support, providing entrepreneurs with access to cheaper resources [19]. As a result, SMEs can invest in modernizing equipment, expanding product ranges, and entering new markets, thereby increasing the competitiveness of their goods and services [20]. Moreover, joint educational and consulting programs initiated by Chinese and Uzbek banks contribute to enhancing the financial literacy and managerial competencies of entrepreneurs [21]. These programs include training on business plan development, marketing strategy, and risk management, which collectively help reduce barriers to entering international markets and strengthen the potential of the local entrepreneurial community [22].

Thus, through the comprehensive use of financial and credit mechanisms and educational initiatives, OPOP makes a significant contribution to the development of small and medium-sized businesses in Uzbekistan, enhancing the overall resilience of the national economy and creating more favorable conditions for long-term investments.

## **4. The Impact of PPP on Uzbekistan's Investment Climate**

Uzbekistan's participation in the Belt and Road Initiative (BRI) has a comprehensive impact on creating a favorable investment climate in the country. Firstly, the modernization of transport and energy infrastructure, implemented with financial support from China, helps reduce transaction costs and increases the efficiency of logistics processes [23]. This makes Uzbekistan more attractive to foreign investors who are focused on the quick and reliable movement of goods and resources between key markets in Central Asia.

Secondly, the diversification of the economy, stimulated by the influx of investments into energy, industry, and the service sector, reduces the republic's dependence on traditional agrarian and raw material sectors [24]. This structural restructuring, in turn, creates new opportunities for the development of small and medium-sized enterprises, which serve as an important driver of economic growth and ensure job creation [25].

Thirdly, strengthening financial and credit mechanisms, including the provision of preferential loans and grants from Chinese and international institutions, improves access to financing and facilitates the entry of new players into the market [26]. This stimulates innovation, enhances the competitiveness of domestic producers, and contributes to a more flexible response to changes in the global market conditions.

Finally, the expansion of interstate cooperation within the framework of the Belt and Road Initiative (BRI) creates additional channels for attracting foreign direct investments (FDI) into Uzbekistan, as increased attention to the region from major economic partners leads to a rise in trust and interest from the business community [27]. Together, these factors strengthen Uzbekistan's economic and institutional foundations, creating favorable conditions for long-term and sustainable development.

## **5. Discussion of results and development prospects**

The examples and mechanisms of implementing the Belt and Road Initiative (BRI) in Uzbekistan discussed in the previous sections indicate significant potential for accelerated socio-economic development of the country and strengthening its positions in the regional and global economy [28]. In the context of the transformation of the global economic system and changing geopolitical dynamics, Central Asia, including Uzbekistan, is increasingly attracting the interest of key global investors and trading partners, which opens up new opportunities for diversifying the structure of the national economy [29].

One of the most significant factors determining the further effectiveness of cooperation within the framework of the OBOR is the issue of maximizing localization. It is important that, during the implementation of large infrastructure and energy projects, the role of local personnel and local materials increases, and an effective technology transfer to Uzbekistan is carried out [30]. This approach will not only enhance the competitiveness of local enterprises but also ensure a more equitable distribution of the benefits from OBOR projects among various population groups, strengthening socio-economic stability.

At the same time, there remains a need to improve the regulatory framework governing international investment cooperation, as well as to develop institutional mechanisms for transparency and accountability in the execution of large contracts [31]. This will help avoid excessive debt burdens and reduce the risk of market monopolization by a single investor, creating a more competitive environment for local and foreign companies.

And finally, the prospects for further development of the BRI in Uzbekistan largely depend on the degree of coordination of actions between the republic and other participants in the initiative, including neighboring Central Asian states. Joint planning, unification of technical standards, and harmonization of customs procedures can significantly enhance the efficiency of the transport corridors being created and provide an additional impetus for the formation of a regional economic space [32]. As a result, Uzbekistan will be able to strengthen its role as a key transit hub and achieve qualitative growth in FDI, which will ensure sustainable economic development and improve the welfare of the population.

## **6. Conclusion**

Overall, the implementation of the "One Belt, One Road" (OBOR) initiative creates conditions in Uzbekistan for comprehensive socio-economic transformations, stimulating the influx of foreign direct investments, infrastructure development, and the enhancement of the competitiveness of local enterprises [33]. Participation in OBOR allows Uzbekistan to move beyond its traditional dependence on the agricultural sector, strengthening the energy, logistics, and financial components of the national economy [34]. A significant role is also assigned to the growth of small and medium-sized businesses, which, by gaining access to long-term credit resources and technical expertise, become one of the drivers of innovation and diversification [35].

At the same time, to fully unlock the potential of the OPOP, it is necessary to maintain a balance of interests and ensure effective coordination at both the national and regional levels. In particular, special attention should be paid to increasing the transparency of investment processes, reducing debt risks, and creating favorable conditions for the localization of

production and technology transfer [36]. With a comprehensive approach to solving these tasks, Uzbekistan will be able to leverage the advantages of the OPOP for long-term, sustainable development, strengthening its position in the international economy and improving the standard of living for its population.

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