

# Comparative Analysis of the State Incentive System for Exports in the Republic of Uzbekistan and the People's Republic of China

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## ABSTRACT

In this article, the author researches Chinese experience of promoting export, areas of state regulation of exports, support for local producers and export support and developed proposals for export promotion in Uzbekistan. Comparative analysis of the economic development of the People's Republic of China, its impact on international trade and the system of state promotion for exports between Uzbekistan and China, the main problems in the development of the export support system of Uzbekistan and exports promotion in Uzbekistan by exploring the possibilities of using the Chinese experience in the development of the export promotion system.

**KEYWORDS:** *Export, Export promotion, Chinese experience of export promotion, FEZ*

**How to cite this paper:** Sarvar Inagamov "Comparative Analysis of the State Incentive System for Exports in the Republic of Uzbekistan and the People's Republic of China" Published in International

Journal of Trend in Scientific Research and Development (ijtsrd), ISSN: 2456-6470, Volume-6 | Issue-1, December 2021, pp.1653-

1657, URL: [www.ijtsrd.com/papers/ijtsrd49101.pdf](http://www.ijtsrd.com/papers/ijtsrd49101.pdf)



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Any country that supports exports can not be a country that focuses on exports. We can say that China's export policy is an export-oriented policy. In particular, each sector and sector of the economy serves for export, even economic indicators are tied to the volume of exports. In particular, export growth indicators have found evidence of a decline from 15 percent, impact on inflation, unemployment rate, economic growth indicators, both in practical experience and in our analysis. Therefore, we set ourselves the task of analyzing the Chinese export policy in comparison with the country's export policy. The main purpose of this study is to study in depth the shortcomings of our country's export policy, analyze them and suggest possible aspects to learn from Chinese experience.

A comparative analysis of the export structures of Uzbekistan and China in 2019 indicates that if the

structure of Uzbekistan's exports is mainly 6 types of goods, then in China this figure will be 19. While energy sources and petroleum products (14.2%) are the priority directions in the export structure of Uzbekistan, machinery and equipment in the export structure of China is the main leader with a share of 59.15%. The results of the analysis showed that China accounts for the main share of finished products in the structure of exports and, as we have seen above, the role of the labor sectors is great. And the main share in the export of Uzbekistan corresponds to the wealth of excavations, as well as semi-finished products. There are positions such as chemical products, ferrous and non-ferrous metals, food products, which are common to both countries EXP. Looking at the geography of exports of both countries, we can see the following:

**Comparative analysis of the geography of exports of Uzbekistan and China in 2018**

№	Geography of exports of Uzbekistan	The share of the partner state in exports, %	№	Geography of exports of China	The share of the partner state in exports, %
1.	China	16,0 %	1.	United States of America	19 %
2.	Russia	15,5 %	2.	Japan	6,06 %
3.	Kazakhstan	7,8 %	3.	Hongkong	12,3%
4.	Turkey	6,2 %	4.	Republic of Korea	4,5 %
5.	Afghanistan	4,3 %	5.	Taiwan	1,9 %
6.	Iran	1,9 %	6.	Germany	3,1 %
7.	Tajikistan	1,3 %	7.	Australia	1,8 %
8.	Kyrgyzstan	1,3 %	8.	Vietnam	3,09 %
9.	France	1,0 %	9.	Malaysia	1,8 %
10.	Republic of Korea	0,9 %	10.	Brazil	1,28 %
11.	Ukraine	0,8 %	11.	India	3 %
12.	Latvia	0,6 %	12.	Russia	1,86 %

**\*table was formed by the Author**

In 2018, we came to the following conclusion on the situation of 12 leading countries in the export geography of Uzbekistan and China: China's export geography is strongly diversified. In particular, its list includes Asia, America, European countries and Australia. The geography of exports of Uzbekistan is not diversified and the main export partners are the countries of the Asian continent. The aspect that is common to both countries is that the main turnover corresponds to the countries that have an mutual borders with them.

Another important aspect of the issue is the breadth of tasks performed in terms of trade facilitation in the PRC. The situation with the work done to facilitate trade in the People's Republic of China for 2019 was analyzed, according to which we divided 53 cases consisting of 8 points into three parts, fully implemented, partially implemented, not implemented. (the full part of the table is shown in the appendix) We can see the comparison of these indicators with the Republic of Uzbekistan:

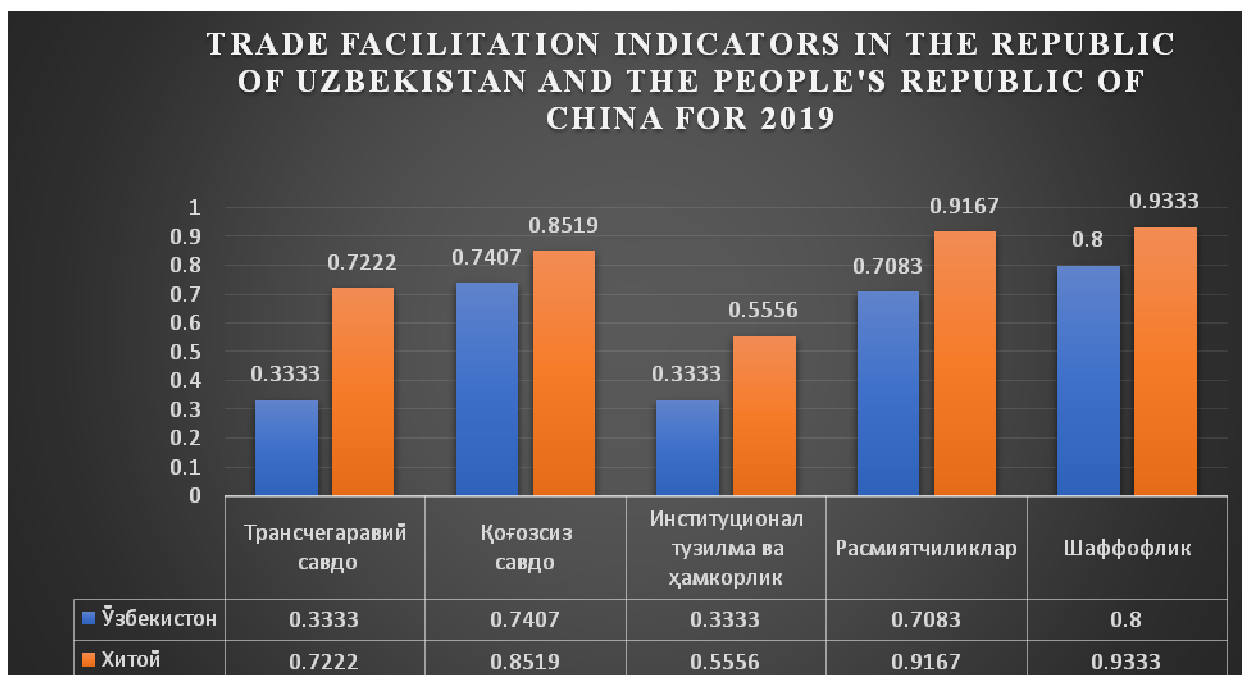
**Status of trade facilitation in the People's Republic of China and the Republic of Uzbekistan in 2019<sup>1</sup>**

№	Name of tasks performed	Measures	People's Republic of China	Republic of Uzbekistan
1	General measures to promote trade	10 points	95% complete	65% complete
2	Facilitate paperless trading	10 points	90% complete	70% complete
3	Development of paperless trade	6 points	65% complete	45% complete
4	Border Agency Cooperation	8 points	85% complete	45% complete
5	Measures for small and medium business development	5 points	85% complete	60% complete
6	On agricultural development	4 points	100% complete	40% complete
7	Measures to support women in society	3 points	30% complete	30% complete
8	Trade finance assistance measures	3 points	50% complete	Маълумот берилмаган

**Trade facilitation in China and Uzbekistan<sup>2</sup>**

<sup>1</sup>БМТнинг рақамли ва барқарор савдони осонлаштириш бўйича глобал тадқиқотлари [Электрон ресурс] <https://untfsurvey.org/economy?id=CHN> кирилган сана 21.03.2020

<sup>2</sup>БМТнинг рақамли ва барқарор савдони осонлаштириш бўйича глобал тадқиқотлари [Электрон ресурс] <https://untfsurvey.org/economy?id=CHN> кирилган сана 21.03.2020



*\*The table was developed by the author based on the UN Global Research on Digital and Sustainable Trade Facilitation*

Analyzing the indicators in the tables above, we can see that according to the results of 2019, the people's Republic of China is 54 per cent on cross-border paperless trade from the Republic of Uzbekistan, 13 per cent on paperless trade, 40 per cent on institutional structure and cooperation, 23 per cent on formality, 14 per cent on transparency.

Trade facilitation processes in the PRC are becoming an important factor not only for the PRC's foreign trade, but also for the country's overall economic development. Facilitating trade and simplifying trade procedures in the country play a major role in attracting foreign direct investment.

It should be noted that in order to solve these problems in our country, organizational, economic and a number of legal measures are being taken. In particular, as a bright proof of our opinion, the President of the Republic of Uzbekistan Sh. Mirziyoyev's Resolution No. PP-3818 of June 29, 2018 "On measures to further regulate the foreign economic activity of the Republic of Uzbekistan and improve the system of customs and tariff regulation"<sup>3</sup>.

The resolution outlines the main principles for further improving the system of customs and tariff regulation:

Before joining the WTO in the PRC, one of the most important means of state regulation of foreign trade relations was the customs tariff. In addition, various non-tariff restrictions, policies and indicative plans, changes to administrative rules, internal guidelines, fees, and so on, were also important tools of regulation. During the negotiations on China's accession to the WTO, measures were taken to gradually reduce customs tariffs and eliminate a number of non-tariff restrictions<sup>4</sup>.

In China, customs duties have been reduced since November 1, 2018. This is a fifth of total imports. In particular, duties on textiles, building materials, ceramics (ceramics) and glassware, metals, Electrotechnics and raw materials will be reduced. On average, the decline was from 10,5 percent to 8 percent. The need to gradually reduce taxes on imported goods was announced by President Xi Jinping at the Asian Forum in Boao. This initiative shows that the country has moved to a new stage of reform and openness policy. The purpose of the government is to encourage foreign companies operating in the Chinese market by stimulating domestic demand and increasing imports.<sup>5</sup>

<sup>3</sup>Ўзбекистон Республикаси Президентининг расмий сайти [www.press-service.uz](http://www.press-service.uz) 2018 йил 29 июнь, ПҚ-3818-сон Қарори қирилган сана 05.04.2019

<sup>4</sup>Цзян ФэнГосударственное Регулирование Внешней Торговли Китая иктисод фанлари номзодлигини олиш бўйича зилган диссертция Москва 2014 й

<sup>5</sup>Китай с 1 ноября снизит пошлину на импорт товаров [Электрон ресурс] <https://24.kz/ru/news/in-the-world/item/269357-kitaj-s-1-noyabrya-snizit-poshliny-na-import-1585-naimenovaniy-tovarov> қирилган сана 27.11.2019

Decree of the president of the Republic of Uzbekistan on measures to promote and encourage export in the Republic of Uzbekistan dated 20.12.2018 PP-4069 has been signed in order to improve the system of export promotion in our country<sup>6</sup>. According to the Decree, Uzbekistan is creating a national system of export support. The two main functions of the system are:

1. Information and analytical support for export activities
2. Financial support of export activities<sup>7</sup>.

In the Chinese economy, free economic zones have been established as a means of stimulating exports. There are currently six major FEZs in China: Shenzhen, Juhai, Shantou, Xiamen, Hainan and Kashgar.

Although it has not been long since the creation and development of EIHs in China, it has had a positive impact on the level of prosperity of cities and villages, the living standards and conditions of the local population, and the growth of the region's export volume.

By 2011, the total area of the six FEZs was 154,000 square kilometers. GDP reached 1.8545 trillion yuan, total budget revenue 611 billion yuan, total imports and exports 565.8 billion yuan. Thus, these 6 FEZ, which occupy only 0.62% of the total area of the PRC, account for 6.04% of the goods and products produced in China, as well as 7% of budget revenues and 18.57% of the country's imports and exports.

FEZ residents are entitled to a five-year preferential income tax rate and partial tax benefits in their economic activities. China's tax legislation for the EU is presented as follows: residents are not taxed for 2 years, the tax rate for the next three years is 50%<sup>8</sup>. Initially, the establishment of a preferential investment climate in the coastal areas and its further expansion to the center was one of the main directions of the policy of deployment of productive forces in the PRC. In turn, the riverside areas have become centers of technological modernization and structural reconstruction<sup>9</sup>.

In China, there are basically four main preferential regimes for FEZs:

1. Special customs regime. The essence of this special program is as follows:

Tariff preferences in export-import operations, as well as the abolition of customs duties and taxes for cars imported into the zone, a simplified procedure and activities for foreign trade, designed to organize the production of equipment, raw materials and supplies.

2. Tax benefits. These benefits apply to taxes on profits, income, property value, and product income.
3. Preferential financial discipline. Public funding policy plays an active role in the implementation of this regime. Some sectors of the FEZ were implemented through subsidies or loans from the state budget.
4. Special administrative system. Free lease of land in the EU, no government interference in the activities of residents. The FEZ will reduce and simplify the time for the establishment and registration of enterprises, the procedures for entry and exit of foreign nationals, as well as the provision of guarantees.

#### Definition of free economic zones in the legislation of the PRC and Uzbekistan \*

Country	Definition
China	Special free economic zones are areas where a simplified system of foreign economic activity is applied
Uzbekistan	A free economic zone is a specially designated area with well-defined administrative boundaries and a separate legal order, created to attract domestic and foreign capital, promising technology and management experience for the rapid socio-economic development of the region.

\* *Compiled by the author on the basis of the Law of the Republic of Uzbekistan "On free economic zones"*

<sup>6</sup>Норма Ахборот – ҳуқуқий портали Экспортни қўллаб-қувватлаш миллий тизими ташкил этилди. Кирилган сана 01.12.2019 [Электрон ресурс]

[https://www.norma.uz/uz/qonunchilikda\\_yangi/eksportni\\_qullab-quvvatlash\\_milliy\\_tizimi\\_tashkil\\_etildi](https://www.norma.uz/uz/qonunchilikda_yangi/eksportni_qullab-quvvatlash_milliy_tizimi_tashkil_etildi)

<sup>7</sup>Норма Ахборот – ҳуқуқий портали [Электрон ресурс] [https://www.norma.uz/uz/qonunchilikda\\_yangi/eksportni\\_qullab-quvvatlash\\_milliy\\_tizimi\\_tashkil\\_etildi](https://www.norma.uz/uz/qonunchilikda_yangi/eksportni_qullab-quvvatlash_milliy_tizimi_tashkil_etildi) Кирилган сана 01.12.2019

<sup>8</sup>Чоо, В., Полоник, С. «Современная экономика Китая». Минск «Право и экономика» 2016. 45-55 ст. <https://library.bntu.by/van-cha-sovremennaya-ekonomika-kitay> кирилган сана 12.02.2019

<sup>9</sup>Селецкис, А. «Структурная трансформация промышленности Китая в условиях глобализации: экономические и экологические аспекты». иқтисод фанлари номзоди илмий даражасини олиш учун ёзилган диссертация Москва 2012 й



An FEZ member exporting goods to Uzbekistan must submit to the state tax service:

- An application for the application of customs duties on imported raw materials, equipment and components for the production of exported products;
- a list of imported raw materials, equipment and components for its own production needs, approved by the head of the FEZ participant and agreed with the Directorate;
- Provides the norm of consumption of raw materials and components per unit of output, approved by the head of the FEZ participant and agreed with the chief accountant and technologist.

As a result of the analysis and research, it has become clear that it is not expedient to apply the experience of a particular country, including China, in supporting exports directly (the whole structure of the economy) in the Uzbek economy. The main reasons for this are:

- The path of economic development and the essence of China's reforms differ from the direction of economic development and economic system of Uzbekistan;
- Non-membership of the Republic of Uzbekistan in the WTO and equal membership of China in the WTO on preferential terms;
- The geographical location of the two countries is also different.

However, there are many similarities in the economic development and trade and economic relations between the two countries. Including:

- The first stage of economic development of both countries is agrarian reform;
- The presence of CIS countries among the strategic economic partners of both countries;
- high share of trade and economic relations with neighboring countries in the trade turnover of both countries;
- The main part of the country's economy is focused on processing, etc.

Based on the above comments, the implementation of some aspects of China's economic development and

export support system in Uzbekistan, including the establishment of an export-import bank, reducing public procurement of export products, reducing the tax burden on exporters, etc. can help.

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