

## **Areas of Iran-Uzbekistan Economic Cooperation in the Belt and Road Initiative Framework**

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### **Abstract**

Despite the strategic situation of Uzbekistan and the geopolitical privilege of this country in Central Asia, and the geopolitical needs of Uzbekistan to Iran like access to the high seas, still the economic cooperation between these two is not at an acceptable level. With the introduction of the Belt and Road Initiative (BRI), China opened a new horizon for increasing trade relations in Central Asia, and consequently between Iran and Uzbekistan. These two countries that have sought to increase economic cooperation in recent years have welcomed this plan. Given the obstacles and opportunities available to increase this tripartite cooperation (Iran, Uzbekistan, China), we are investigating solutions to accelerate and increase this cooperation in the context of BRI. So, the gap we are going to fill in this article is identifying the existing obstacles in the Iran-Uzbekistan bilateral cooperation, then trying to look for solutions to reduce those obstacles and challenges facing these countries and opportunities for expanding their economic cooperation in the Belt and Road Initiative framework. Opportunities are recognized for the economic cooperation between China, Uzbekistan, and Iran include Solving transportation and tariff problems, Uzbekistan gaining access to open waters, booming tourism industry, circumventing sanctions against Iran, creating investment opportunities for the private sectors, replacing Iran and China with Russia for Uzbekistan as trade partners and making the Uzbek market more independent. The descriptive statistical method and secondary data collection are used for writing this paper.

**Keywords:** Belt and Road Initiative, Central Asia, China, Economic cooperation, Iran, Uzbekistan.

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## **Introduction**

The independence of the Republic of Uzbekistan was recognized by the Islamic Republic of Iran on 25 December 1991. Over the past period, Islam Karimov, the first president of the Republic of Uzbekistan visits to Iran were held four times (1992, 2003 - official, 1996, 2003 - within the framework of participation in the ECO summit) and Uzbek-Iranian political consultations held regularly on the level of Deputy Ministers of Foreign Affairs (Embassy of the Republic of Uzbekistan in Iran, 2018).

The contractual and legal basis of bilateral ties is made up of 55 documents related to political, trade, and economic cooperation. 24 of them have interstate and intergovernmental status, 9 have interdepartmental status (Ministry of foreign affairs of Uzbekistan, 2018). Trade and economic cooperation are governed by the following main bilateral intergovernmental agreements:

On avoidance of double taxation and prevention of tax evasion on income and capital (Tashkent, April 26, 2002);

On mutual encouragement and protection of investments (Tehran, January 11, 2011).

A joint Intergovernmental Commission (IC) was established in accordance with the Agreement on Trade, Economic, Scientific and Technical Cooperation. The 13th meeting of the joint IC was held on December 11-13, 2019 in Tashkent, which resulted in the approval of the Action Plan "Road Map", consisting of 30 documents for the amount of 134.5 million US dollars.

According to the results of 2020 trade turnover between the two countries amounted to \$245,1 million, \$137,4 million of which accounted for export of Uzbekistan and \$107,7 million for import (Trend economy, 2020).

The dynamics of Uzbek- Iranian relations give evidence of the stable nature of bilateral cooperation. Both countries possess significant political and economic potential, wide transport and communications, and transit opportunities. But despite this high potential and the common interests of both sides, the existing economic cooperation between Iran and Uzbekistan is not enough.

The Belt and Road Initiative (BRI), formerly known as One Belt One Road (OBOR), is a global infrastructure development strategy adopted by the Chinese government in 2013 to invest in nearly 70

countries and international organizations. It is considered a centerpiece of Chinese Communist Party general secretary Xi

Jinping's foreign policy.

Xi Jinping originally announced the strategy during official visits to Indonesia and Kazakhstan in 2013. "Belt" refers to the overland routes for road and rail transportation, called "the Silk Road Economic Belt"; whereas "road" refers to the sea routes or the 21st Century Maritime Silk Road. It was incorporated into the Constitution of the People's Republic of China in 2017.

The BRI has six main economic corridors: (1) the New Eurasian Land Bridge; (2) the China-Central Asia-West Asia Corridor; (3) the China-Pakistan Corridor; (4) the Bangladesh-China- Myanmar Corridor; (5) the China-Mongolia-Russia Corridor; (6) the ChinaIndochina Peninsula Corridor (World Bank, 2018).

The China-Central Asia-West Asia corridor starts from China, connecting with Kazakhstan, Kyrgyzstan, and Tajikistan then continues through Uzbekistan and Turkmenistan to connect with Iran and the rest of West Asia. In this article, we just mention and work on this corridor. This corridor is strategically relevant in geopolitical terms, mainly because it will bypass Russian territory and thereby downplay Russia's influence in Central Asia. In this case, Uzbekistan has an alternative to establish trade and economic relations between the two most important countries in the region, Iran, and China.

First, it is examined the existing economical relationships and trades between Iran and Uzbekistan. Then by considering the high potential of these two countries to expand trade relations, we are looking for opportunities to accelerate and increase these relations in the context of BRI.

### **Iran-Uzbekistan Economic Relations; Existing Situation**

According to the table. 2, Iran's share of Uzbekistan's foreign trade is less than one percent, which is about \$245 million, a small amount. Given that both countries have large economies, and that Uzbekistan is the most populous country in Central Asia, located in the heart of Central Asia, and is a transit country to other countries in this region, the volume of Iran-Uzbekistan trade should be much higher.

Iran, located at the junction of the regions of the Middle East, Transcaucasia, Central, and South Asia, at the intersection of strategically important trade routes between Europe and Asia, occupies

an advantageous geopolitical position. In 2019, Iran was ranked 10th in Asia and 25th in the world in the World Bank ranking of each country's PPP gross domestic product (World Bank, 2019).

At present, both countries are ready to increase trade, economic and industrial exchanges with each other and have repeatedly announced in various meetings.

On March 8, 2021, a meeting was held with Iranian Deputy Foreign Minister, Abbas Araghchi and his Uzbek counterpart Furqat Siddiqov in which both sides stressed the greater use of important capacities that exist to expand relations in the fields of transportation, commerce, culture, tourism, cultural, and law. Also, Siddiqov expressed his country's readiness for the comprehensive development of relations in all areas and called for accelerating the implementation of the roadmap for economic cooperation between the two countries (IRNA, 2021).

**Table. 1. The Most important exchange items and values between Iran and Uzbekistan in 2020**

Uzbekistan imports from Iran	Import Value	Uzbekistan exports to Iran	Export Value
Machinery, nuclear reactors, boilers	\$33.23M	Cotton	\$117.27M
Plastics	\$25.18M	Fertilizers	\$10.22M
Iron and steel	\$8.54M	Silk	\$5.82M
Soaps, lubricants, waxes, candles, modeling pastes	\$5.76M	Edible fruits, nuts, peel of citrus fruit, melons	\$1.41M
Ceramic products	\$3.81M	Edible vegetables and certain roots and tubers	\$1.30M
Organic chemicals	\$3.52M	Salt, Sulphur, earth, stone, plaster, lime, and cement	\$951.45K
Glass and glassware	\$3.18M	Other made textile articles, sets, worn clothing	\$124.93K
Inorganic chemicals, precious metal compounds, isotope	\$2.83M	Machinery, nuclear reactors, boilers	\$100.94K
Miscellaneous chemical products	\$2.81M	Products of animal origin	\$75.55K
Articles of iron or steel	\$2.69M	Mineral fuels, oils, distillation products	\$40.29K

Source: <https://tradingeconomics.com>

In bilateral trade, mutual provision of customs preferences is provided for 27 commodity items from each side (Trading Economics, 2020). According to the Observatory of Economic Complexity, in 2019 Iran took 8th place in the total volume of exports of Uzbekistan, and 16th in imports. (OEC, 2019)

**Table. 2. Dynamics of Uzbekistan's foreign trade with Iran between 2010 and 2020, million USD**

Years	Trade turnover		Export		Import		Balance
	Mln (USD)	share, %	Mln (USD)	share, %	Mln (USD)	share, %	
2010	674,1	3,0	595,4	4,6	78,7	0,6	516,7
2011	446,4	1,7	378,4	2,5	68,0	0,6	310,4
2012	390,4	1,5	323,5	2,4	66,9	0,5	256,6
2013	272,1	1,0	209,9	1,5	62,2	0,4	147,7
2014	375,4	1,4	318,3	2,3	57,1	0,4	261,2
2015	378,0	1,5	318,1	2,5	59,9	0,5	258,2
2016	408,6	1,7	350,4	2,9	58,2	0,5	292,2
2017	325,3	1,2	267,2	1,9	58,1	0,4	209,1
2018	306,8	0,1	172,9	1,2	133,9	0,7	204,6
2019	424,2	1,0	219,6	1,2	204,6	0,8	15,0
2020	245,1	0,7	137,4	1,03	107,7	0,5	29,7
In 2019 compared to 2010,%, “+”, “-”	62,9	-2,0	36,9	-3,4	260	+0,2	-
In 2020 compared to 2010,%, “+”, “-”	36,3	-2,3	23,0	-3,5	137	-0,1	-

Source: compiled according to the data of the State Committee of the Republic of Uzbekistan on Statistics

As the analysis of Table. 2 shows, trade with Iran in 2019 amounted to USD 424.2 million, which is 62.9% of the 2010 level. In 2020 this amount reached a level of 36.3% but according to figure 1, the trade volume of Uzbekistan decreased in 2020 and we can point to the Covid\_19 pandemic and its consequences to the trade relations and world economy, as one of the most important reasons.

The decrease in mutual trade turnover in 2019 in comparison to 2010, is mainly due to the decrease in Uzbek exports. So, if in 2010 the volume of exports of Uzbekistan amounted to 595.4 million US dollars, then in 2019 it decreased to 219.6 million US dollars, that is, by 63.9%, and imports from Iran increased over this period by 2.6 times.

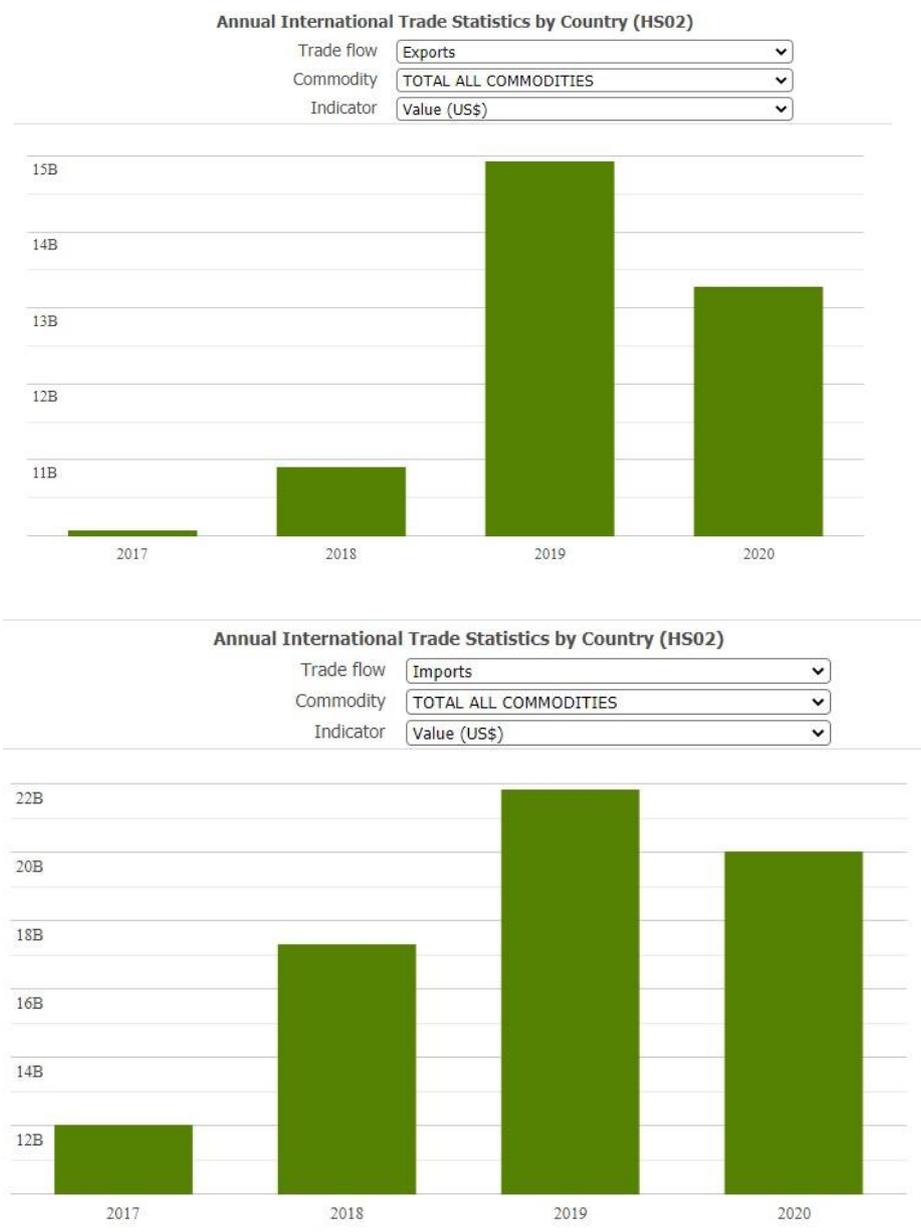
It should be noted that in recent years, the trade between Uzbekistan and Iran has been uneven. So, if in 2010-2013 the volume of mutual trade decreased by almost 2.5 times, then in 2013-2016 it increased by

1.5 times. Starting in 2016, the decline began again, and the volume of mutual trade decreased to 306.8 million US dollars in 2018, which is 1.3 times compared to 2016, and in 2019 increased again by 38%.

During the analyzed period, there is a positive balance in Uzbekistan's foreign trade with Iran, which tends to decrease. So, if in 2010 the positive balance was USD 516.7 million, then in 2019 this figure dropped to USD 15 million.

Iran and Uzbekistan have agreements between themselves to cooperate in various fields including, agriculture, transport, oil and gas productions, construction, pharmaceuticals, and banking (Dimotiss, 2019). The two nations have also worked on overland links and other joint ventures.

At the end of July 2020, a virtual conference was held between the Deputy Prime Minister of Uzbekistan, minister of investment and foreign trade, Sardor Umurzakov, and the Iranian vice president for economic affairs, Mohammad Nahavandian. Sardor Umurzakov stressed Iran's important role as a trade partner for Uzbekistan and he mentioned that geographical proximity and spiritual commonalities are a good opportunity to be used for increasing the level of economic relations between the two countries. He also said this country would welcome the presence of Iranian investors and engineering companies in economic and development projects in the country. It is also interested in expanding scientific and technological relations (Tehran Times, 2020).



**Fig. 1. Annual International Imports and Exports of Uzbekistan**  
 References: <https://trendeconomy.com/data/h2/Uzbekistan/9028>

### **Agriculture**

Iran presented in the first exhibition of Uzbek agricultural products and the meetings of the Joint Commission of Iran-Uzbekistan. At the 13th

session of the commission, which was attended by the Minister of Industry, Mines and Trade of Iran and the Deputy Prime Minister of Uzbekistan, agreements were reached to purchase wheat and basic goods from Uzbekistan (IANA, 2016).

As mentioned above, the two countries have cooperated in the field of agriculture. In recent years, the government of Uzbekistan has been paying significant attention to the development of agriculture and horticulture. In this regard, the quality and volume of exported fruit and vegetable products are increasing from year to year except in 2020. In 2018 the export of fruit and vegetable products from Uzbekistan to Iran amounted to USD 10 million, then in 2019 it increased to USD 12.4 million, But in 2020 this decreased to USD 2.71 million. This sharp decrease in fruit and vegetable export is not only related to Iran. Actually, according to the East Fruit report, 2020 became very difficult for the participants in the horticulture business of Uzbekistan due to late spring frosts during the flowering of orchards and vineyards, the collapse of the Sardobin dam, uncertainty, and restrictions on the market, and logistics for fresh fruit and vegetable products as well as the drop in incomes of the population caused by the COVID-19 pandemic all of which was reflected in the fruit and vegetable market (East Fruit, 2021).

The main agricultural products of Uzbekistan are cotton, grains (mainly rice and wheat) silk, fruits, and vegetables. As it is observable in Table 1, Iran's most important agricultural products imports from Uzbekistan are cotton, Fertilizers, Silk, Edible fruits, nuts, peel of citrus fruit, melons, Edible vegetables, and certain roots and tubers. Iran also exports Edible fruits, nuts, peel of citrus fruit, melons, coffee, tea, mate, and spices to this country. The agricultural export of Uzbekistan to Iran is about US\$ 136.02 million, and Iran's export is about US\$ 3.7 million (Trading Economics, 2020). In the field of agriculture, the scales are toward Uzbekistan.

### **Industry**

Following the signing of the Joint Comprehensive Plan of Action agreement in 2015, Tashkent and Tehran agreed to transfer about one million tons of oil a year to Iran (IRNA, 2019) for refining at Uzbek refineries. This was supposed to increase the annual turnover between the two countries by up to one billion dollars. But this project is now suspended according to the withdrawal of the United States from the JCPOA in 2018.

Iran's most important exports to Uzbekistan are in the field of industrial materials as it is also observable in Table. 1, are as follows: Machinery, nuclear reactors, boilers, Plastics, iron or steel, Soaps, lubricants, waxes, candles, modeling pastes, and Ceramic products. Iran imports Salt, Sulphur, earth, stone, plaster, lime, and cement from Uzbekistan. The balance of industrial exchanges as can be seen in the exchange commodities of Iran-Uzbek is inclined towards Iran.

Uzbekistan has been one of the most important markets for Iranian goods in the field of detergents, which has created a favorable environment for exports and investment in this country. Most of Uzbekistan's needs for detergents come in the form of imports and according to the statistics in 2017, this country only can fulfill 30% internal demand market. The most important imported brands in this field are from American, German, British and Russian brands; But Iranian products in the field of detergents have a good historical reputation in Uzbekistan, and most of this credit has been due to the export of Iranian detergents in the distant years (Trade Promotion Organization of Iran, 2018).

In the past, the Uzbek consumer market may have been considered simple based on cheap price and medium or low quality, but in the current situation, given the relative growth of people's economic power and competition in the market, the issue of quality along with having a competitive price is very important. Of course, in recent years, an agreement has been signed to eliminate some tariffs, facilitate customs conditions, establish preferential facilities, transit cooperation, joint ventures in the exchange of goods, the presence of some Iranian technical and engineering services companies in this country to develop exports. For this reason, Iran's exports to Uzbekistan in 2018 increased by 131 percent compared to the previous year. The most important factor influencing this increase was the reduction of Uzbek customs tariffs and the increase in price competitiveness with products of other countries. Accordingly, chemical products with \$ 49 million, machinery with \$ 29 million, and cement with about \$ 20 million had the largest share in Iran's exports to Uzbekistan in 2018, and in all three areas, the export trend was increasing (IRNA, 2019).

Another important direction of Uzbek export to Iran is the export of cotton fiber and textiles. The increase in the volume of exports of textile products can be directly considered as a result of reforms in the production of finished products and the formation of added value

instead of the production of raw cotton (Kim and Park, 2019:14). So, if according to the Trade Economics website in 2017 the volume of exports of textiles from Uzbekistan to Iran amounted to USD 24.1 million, and in 2018 - USD 25.3 million, then in 2019 this figure increased more than 2 times compared to 2017 and 2018 and reached USD 55.2 million. It should be noted that as a result of practical work to diversify the textile industry of the republic and stimulate the export of finished products, the potential of Uzbekistan in this area is increasing. This gives reason to assume that in the near future, the volume of exports of textiles from Uzbekistan to Iran will increase.

### **Transportation**

In December 2017, the President of the Republic of Uzbekistan Shavkat Mirziyoyev issued a decree on expanding the country's external transport capabilities (Weitz, 2018: 7). The decree highlighted the routes Uzbekistan - Turkmenistan - Iran - Oman, China - Kyrgyzstan - Uzbekistan, and trans-Afghan corridors. It should be noted that the three trans-Afghan corridors start with a railway line from border Termez to Mazar-i-Sharif in northern Afghanistan. In the future, it is planned that the route will go from Mazar-i-Sharif to Herat, and from Herat, the railway will branch out into three corridors. One goes to Bandar Abbas, the second to Chabahar, and the third to Bazargan provides access to the Black Sea. Thus, the Islamic Republic of Iran can provide the widest opportunities for the transportation of Uzbekistan's products.

But on the one hand, conflict and unstable situation in Afghanistan is a big problem in the way of this scenario. Possible terrorist attacks on the railway station and possible illegal distribution of narcotic substances and weapons through railways are some of them.

On the other Uzbekistan's using Iranian ports for the export and import of goods and access to the high seas has opened the door to cooperation in the field of transportation between the two countries.

One of the main elements of interaction in the framework of the new Silk Road for Uzbekistan is the development of transport cooperation. One of Tashkent's top priorities is the rapid launch of the China-Kyrgyzstan-Uzbekistan railway, which compared to existing routes, reduces delivery time by 7 to 8 days (CABAR, 2020).

The next priority is to connect the railway as a China-Kazakhstan-Turkmenistan-Iran corridor as part of the implementation of a new Silk Road route called the "New Eurasian Ground Bridge", which

connects China's coastal areas through Central Asian countries connect with the European Union.

### **Tourism**

The tourist business in the modern world is the object of attention of state and non-governmental organizations. In this regard, the tourism sector is another promising area of economic cooperation between Uzbekistan and Iran. Picturesque nature with unique climatic features and a peoples with ancient culture, traditions, customs, historical sights, unique architecture create conditions for tourism and other types of recreation. However, at the moment, our countries are not using their potential enough. Based on statistics that have been published by the Ministry of Tourism and Sports of Uzbekistan, in 2016 the number of tourists visiting Uzbekistan from Iran amounted to about 5,4 thousand, in 2018 – 2,66 thousand, and in 2019 – 3,47 thousand people. In 2016, the number of tourists visiting Iran from Uzbekistan amounted to about 0.63 thousand, in 2018 - 0.07 thousand, and in 2019 - 0.06 thousand people. However, there is room for more development in this area. In particular, from January 1, 2020, Iranian citizens have the opportunity to obtain an electronic entry visa or apply for a tourist visa in a simplified manner at the Embassy of Uzbekistan in Tehran. Here, the cancellation of the previously imposed requirement for Iranian citizens to provide the Ministry of Foreign Affairs of Uzbekistan with a tourist voucher or an appeal of an inviting legal entity or individual in Uzbekistan is provided. This visa issuance process began to take only two working days (Ministry of Tourism and Sports of Uzbekistan, 2020).

### **Obstacles for Economic Cooperation between Iran and Uzbekistan; in Bilateral Level and the Context of BRI**

*Lack of a common border between the two countries:* The lack of a common border can be a negative factor in increasing economic cooperation between these two countries because a third party is needed for the two countries to communicate with each other. Of course, the short distance between Iran and Uzbekistan and the existence of only two different countries (Turkmenistan and Afghanistan) to establish land relations between them, to some extent, remove this obstacle, but still, it causes problems. For instance, the director of the international transport agency of the Iranian company "VAFA RAH" in Tashkent

says that at present, due to Turkmenistan's policies and decisions to increase transit costs for Iranian cars, despite contracts with Uzbek companies as well as other Central Asian countries, we are rapidly losing these markets (IANA, 2016).

*Different currencies:* Both countries have different currencies, and the long process of converting each country's currency into a current currency is a difficult one. In the context of the BRI corridor and exchanging during which, still the problem stays on. In that case, there would be three countries with three different currencies. However, opening a letter of credit by China which could belong to the New Silk Road countries, can be a solution to this problem.

*Existence of strong competitors:* Russia, Korea, and Turkey are rivals that hinder the rapid growth of the three countries' trade partnerships through the new Silk Road.

*Multiple corridors in Belt and Road Initiative:* There are 6 routes embedded in the BRI, and if a problem arises in a corridor or the transportation of a route is not optimal or practical, it is easy to find an alternative, so these multiple routes are a threat to a corridor that passes from Iran and Uzbekistan.

#### **Opportunities for Iran-Uzbekistan Cooperation in the BRI Corridor**

After the meeting of the President of the Republic of Uzbekistan Shavkat Mirziyoyev with the President of the Islamic Republic of Iran Hassan Rouhani in the framework of the summit of the Islamic Organization for Cooperation in Science and Technology in 2017 in the city of Nur-Sultan, a new stage began in Uzbek-Iranian relations. This made it possible to enrich mutually beneficial partnerships with practical content, a whole range of new opportunities appeared, primarily for the development of the national economy.

Tashkent's other growth plan includes a five-year development strategy for 2017-2021 in modern Uzbekistan (THE TASHKENT TIME, 2017). In this context, increasing the quality of products, reducing inflation, and trying to distance oneself from the singleproduct economy in both agriculture and energy are on the agenda of the new Uzbek leaders to modernize and transform the economy in all sectors. Meanwhile, Iran and Uzbekistan have been cooperating economically for the past two and a half decades, with more than 59 signed documents and joint intergovernmental commissions.

On the other hand, Uzbekistan was one of the first countries to support President Xi's Belt and Road Initiative and China is interested

in deepening cooperation with Uzbekistan (China Daily, 2019), which is a fast-growing market, and Iran-China relations have entered a new phase since 2016 called "Comprehensive Strategic Partnership".

As it was mentioned above, there are obstacles between the trade relations of Iran-Uzbekistan, but we are investigating the areas for expanding economic cooperation of these two countries in the context of BRI.

### **The Best Opportunity for Major Business Partners**

China is the most important trading partner of Iran and Uzbekistan, and given the current situation, this partnership will become even stronger in the future. The two countries want to facilitate and increase their trade relations with China, one for greater independence from Russia (Uzbekistan) and the other to reduce the effects of sanctions (Iran). The BRI corridor plays an important role in enhancing these relationships.

Iran is under severe international sanctions from the United States, and China is also at economical war with the United States. On the other hand, Uzbekistan's goodwill in establishing relations with Iran and its high exchanges with China make both of them seek to increase the use of this corridor.

Russia has been a major trading partner of Uzbekistan for many years (Trade Promotion Organization of Iran, 2019) and Uzbekistan has been heavily dependent on imports and exports to this country. But in recent years, policies have changed and Uzbekistan has succeeded in reducing this dependence and becoming more independent.

As shown in the table below, Uzbekistan's imports and exports to China account for a large share of the country's trade. we can see the bold amount of share trade of China and Iran could fulfill Russia's place.

The BRI project can go further in this direction and, by strengthening Uzbekistan's communication channels with other countries, open new horizons for Uzbekistan to establish trade relations with China, Iran, and other countries passing through the corridor.

**Table. 3. the Uzbekistan Exports & Imports value by Country**

<b>Uzbekistan Exports&amp; Imports by Country</b>	<b>Export Value</b>	<b>Import Value</b>	<b>Year</b>
Russia	1.73 billion US\$	4.08 billion US\$	2020
China	1.2 billion US\$	4.44 billion US\$	2020
Iran	137 million US\$	107 million US\$	2020

Source: <https://tradingeconomics.com/uzbekistan>

### **Iran; the Easiest Way to High Seas**

Uzbekistan is an enclave state and is separated from the nearest sea by two countries, which complicates the development of trade and economic ties. It is the Iranian ports that are the most effective and closest way to world markets for Uzbekistan. Iran, due to its strategic position and access to the Persian and Oman Gulfs, is a key link for Uzbekistan in the development of trade and economic relations with various countries of the world. In this regard, an important area of cooperation between Uzbekistan and Iran is the sphere of transit traffic.

Perhaps the most effective incentive for Uzbekistan to increase relations with Iran is access to open waters. In this way, not only will exports and imports become easier and faster for Uzbekistan, but it can also have a significant impact on increasing the diversity of Uzbekistan's trading partners, with Uzbekistan placing other countries on its list of trading partners with greater distances.

Uzbekistan currently uses Iranian ports (Bandar Abbas and Chabahar port) for access to open waters and maritime transport. Uzbekistan has reached an agreement with Iran for transiting agricultural products and minerals to India through Iran's Chabahar Port, quoting the board chairman of Chabahar Free Trade–Industrial Zone Organization (TIN NEWS, 2019).

But as it is mentioned, the corridor could ease and make faster the process of transportation and trade of Uzbekistan, in addition, could open the door of trade relation of this country with other countries passe through this corridor, especially in the case of energy exportation to Europe and Turkey.

### **Natural Resources**

Iran and Uzbekistan have huge natural resources, fossil fuels, rich mines such as copper, uranium, gold, oil, gas, coal, etc. Given the huge volume of Chinese production and the country's growing economy and need for primary resources can be an important factor in highlighting the relations between the three countries through this belt.

### **Tourism**

This corridor could bring a fantastic opportunity for the tourism industry of three countries. China introduced one of the purposes of the BRI

project, the progress of tourism in the Silk Road Region. On the other hand, as it was mentioned, Iran and Uzbekistan are seeking to cooperate in this case and that can affect the reviving the economy and cultural heritage of the two countries.

#### **Acceleration of Trade: Customs Problems, Taxes and Poor Transportation Facilities**

One of the biggest problems in Iran-Uzbekistan relations has been the relatively long stoppage of goods at the two countries' customs and as the corridor provides a new standard for facilitating exchanges along the entire route, the problem will be gone. Also, many customs and tax problems and tolls and the weakness of the transportation system will be reduced or eliminated, like the fact that transit to Uzbekistan is through Turkmenistan and the Sarakhs crossing on the border between Turkmenistan and Iran, and the lack of wagons at this crossing is one of the transportation and trade problem (Donya-e-Eqtasad, 2014).

#### **Using Iran's Experience in Road Construction**

Cooperation in the field of transport communications and transit is a very important direction for the development of mutual relations with Uzbekistan. Uzbekistan and Iran are equally interested in using the existing and building new road and rail corridors.

Given that Iran is experienced in the field of road construction and transportation system, it could be a good option for China to invest in Iranian transportation and construction companies to build and accelerate the transportation route through the BRI corridor.

#### **Cooperation in the Investment Sphere**

The development of trade, investment, industrial, banking, and financial ties with Iran fits into the general logic of liberalization, including economic liberalization, the principles of which the government of Uzbekistan has been consistently implementing over the past years. This logic gives dynamism to the entire system of internal and external relations.

Cooperation in the investment sphere is of great importance in bilateral relations between Uzbekistan and Iran. As of October 1, 2020, 282 enterprises with the participation of Iranian capital operate in Uzbekistan, of which 136 were created entirely based on Iranian capital (Socio-economic situation of the Republic of Uzbekistan, 2020: 222).

The main part of enterprises with the participation of Iranian capital is concentrated in such sectors as transport projects, textile industry, production of building materials, trade, production of detergents, furniture, polymer products, provision of services in the field of consulting, tourism, etc.

The Uzbek trading house "Uzsanoatexport" has been established in Iran. (The Tashkent Time, 2018) The activities of which are aimed at expanding exports from Uzbekistan.

At the same time, it should be noted that in such important sectors of the economy of Uzbekistan (social sphere, information and communication technologies, agriculture), investments from Iran are minimal. The potential of the existing capabilities for the production of finished products is not used.

In this regard, with all the opportunities which this corridor could bring for Iran-Uzbek economic cooperation, especially in the private sector, it is necessary to stimulate the implementation of joint investment projects in Uzbekistan with the participation of leading Iranian companies, primarily in the production of products with high added value based on deep processing of mineral and raw materials in free economic and small industrial zones.

## **Conclusion**

Trade and economic relations between Uzbekistan and Iran are based on mutual benefit, the principles of equal partnership, and mutual respect. Uzbekistan is extremely attractive for Iranian businesses with a rich raw material base, favorable investment climate, and a capacious market. Transport communications, sea routes, agriculture, and the tourism potential of Iran are of interest to Uzbekistan.

Despite Iran and Uzbekistan's high potential, they have had very little economic cooperation in recent years. This article has tried to emphasize the increase of cooperation between the two countries by looking at the obstacles and opportunities within the China-Central Asia-South Asia corridor.

In terms of the prospects for trade cooperation as the BRI corridor can provide, as well as increasing Uzbek exports in the Iranian market, the marketing review of the sales markets for Uzbek products in Iran, prepared by the Center for Economic Research of Uzbekistan (Review.uz, 2019) is noteworthy. The analysis of the import of Iranian goods and the export opportunities of Uzbekistan indicates that

Uzbekistan could expand its export to the Iranian market of products of inorganic chemistry, fertilizers, legumes, and textile products. Taking into account the increase in production capacities for the processing of hydrocarbons, the development of the chemical industry, Uzbekistan can expand the supply of plastics and products from them, various synthetic, chemical fibers, and other products of the chemical industry. Also, the Iranian market can be considered as possible for expanding the export of copper and products from it, iron, steel, and rolled metal products.

Based on the above, it can be concluded that all three countries, Iran, Uzbekistan, and China, have a high desire to communicate in the context of the New Silk Road region. China, which is the main designer and investor of this project, seeks to facilitate and implement this project in the countries located along this route. On the other hand, China, which is the largest producer in the world, has an increasing need for primary resources, which are good options in the current situation of Iran and Uzbekistan, which have abundant natural resources.

Iran is under the most severe sanctions, which has made its economic situation difficult. As a result, it is strongly inclined to communicate with the economic power of the region. Of course, the 25-year agreement between Iran and China is a sign of rapid progress in this area.

Uzbekistan is in dire need of China, its first trading partner, and Iran is the country that connects Uzbekistan to the high seas. On the other hand, for a long time, Uzbekistan has been dependent on the import and export to Russia and now the BRI corridor could independent this country to some extent. All these issues make these three countries committed to the implementation of this corridor.

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