Discussion on strategic trade cooperation between China and Kyrgyzstan under the background of “One Belt, One Road”

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Abstract. The Kyrgyz Republic has always contributed to the cultural and economic education of Central Asian countries along the Silk Road. The favorable geographical location of the Kyrgyz Republic makes it possible for all neighboring countries, especially the People's Republic of China, to develop a single economic integration with Central Asian countries and other regions of the Eurasian world. After China and Kyrgyzstan established diplomatic relations and resolved the border issue, good-neighborly and friendly relations between the two countries have flourished, and they have maintained relatively close ties in the fields of trade, investment, regional relations, and cultural ties. Kyrgyzstan is one of the first supporters and participants of China's “Belt and Road” initiative. It is expected that the two countries will deepen cooperation in the fields of agriculture, infrastructure, and communications development, as well as trade and investment. Under China's initiative to create the "Belt and Road Initiative", Kyrgyzstan became one of the first countries in China to implement the project. In the context of global integration and regional integration, Kyrgyzstan and China must adapt to this trend, make reasonable adjustments and optimizations to the development of both sides according to their respective development characteristics, and seek more development opportunities. Today, the Kyrgyz Chinese partnership has a trend of dynamic development and high-level cooperation. In addition, the good-neighborly, friendly partnership and mutual trust between the two countries will help strengthen bilateral relations, which are fully in line with the interests of our two countries and contribute to common development.

Keywords: "Belt and Road”; Trade; cooperation; Kyrgyzstan.

1. Introduction

When General Secretary Xi Jinping visited overseas in 2013, he formally proposed a cooperation plan for the construction of the “Belt and Road” at an important international conference, the so-called “Silk Road Economic Belt” and the “21st Century Maritime Silk Road”. This is a strategic proposal based on peaceful cooperation, with mutual trust as the core, mutual benefit and win-win situation, political mutual trust, economic integration, and cultural tolerance as important content, which will make great contributions to the development of countries along the way. This is not only an important way to promote the rapid economic development, social harmony and stability of the countries concerned, but also a silk economic belt conducive to the countries along the way, which will definitely have a profound impact in the future development process. The proposal of the” Belt and Road" initiative has made the interaction between China and Kyrgyzstan closer, and opened up a new situation for the economic development of both countries.

Xinjiang, China, borders Kyrgyzstan for 1,063 kilometers in the west. There are two border crossing points, namely Elkshtam, 230 kilometers west of Kashgar City in southern Xinjiang, and the Torugat Pass in the Tianshan Mountains, located at an altitude of 3,752 meters in the northeast. The road from Bishkek, the capital of Kyrgyzstan, to Kashgar passes through the Torugat Pass. Under the One Belt and One Road policy, transportation has become increasingly convenient, and economic and trade relations between China and Central Asian countries have become increasingly closer. The scale of cooperation between the two countries in the economic field has gradually expanded. After the establishment of diplomatic relations between the two countries in 1992, the two sides launched new trade cooperation, which led to the steady growth of bilateral trade volume. From 1992 to 2022, the bilateral foreign trade volume between China and Kyrgyzstan increased from US$35.49 million to US$6 billion, an increase of nearly 180 times. From January to November 2021, the trade volume

between China and Kyrgyzstan increased by 131% year-on-year, which shows that in terms of economic and trade cooperation, the trade between the two countries is growing well and there is a lot of room for development.

The current social development is changing with each passing day, but there have always been some global problems. From the end of 2019 to the present, the global economy has been sluggish, which has greatly affected the volume of import and export trade. How to maintain normal strategic cooperation and trade exchanges in the fierce international **competition and** create good conditions for the steady growth of total foreign trade, pay attention to the differences in the comparative advantages of China and Kyrgyzstan, and further explore the potential of bilateral economic and trade cooperation.

2. "One Belt, One Road" Current Development Status of Economic and Trade Cooperation between Kyrgyzstan and China

The geographical advantages between China and Kyrgyzstan make communication and economic exchanges between the two more convenient. The two countries have more connections under the "Ancient Silk Road". Since the establishment of diplomatic relations between China and Kyrgyzstan in 1992, exchanges between the leaders of the two countries have continued to deepen, and both countries have promulgated different policies to achieve bilateral exchanges, etc. With the development of society and the continuous improvement of people's living standards, the economic exchanges between the two countries have become closer. The level of economic exchanges between the two parties has increased, from the original simple import and export of primary products to a high-level import and export of products. Especially with the continuous improvement of the technological level of the two countries, the fields of technical cooperation between the two parties are increasingly broadened and the cooperation models become more diversified.

1. Trade and Economics. In recent years, China has become one of the major trading countries of the Kyrgyz Republic in terms of economy and trade. From 1992 to 2023, the total trade volume between China and Kyrgyzstan increased from 30 million U.S. dollars to more than 6 billion U.S. dollars, expanding almost 180 times. The People's Republic of China has long maintained its status as the Kyrgyz Republic's largest economic partner and largest importer. The impact of the COVID-19 epidemic and the world political situation has caused a sharp decline in trade volume. The current bilateral trade volume is only US$290.1 billion. However, the two countries still worked together to take positive actions to improve the current situation. According to data from Kyrgyzstan, starting from 2021, the trade volume between the two countries has increased by 89.3% year-on-year. This shows that the close economic cooperation between China and Kyrgyzstan is in line with China's strategic development plan for the Northwest (Xinjiang) and provides additional economic benefits to both parties.

2. Transit and transportation. An important issue of the transit partnership between the Kyrgyz Republic and the People's Republic of China is the construction of a railway line connecting the two countries with the Fergana Valley. In twenty-first century. Construction of the Kyrgyz-China railway was initially started by the People's Republic of China and completed in 2000. On September 14, 2003, China opened a railway to the border of the Kyrgyz Republic.

At the Shanghai Cooperation Organization summit held in Uzbekistan, representatives of China, Kyrgyzstan and Uzbekistan signed a cooperation agreement. Cooperation projects include the joint construction of the People's Republic of China-Kyrgyz Republic-Uzbekistan railway line, which will form the basis of the East-West Trans-Central Asia Railway and be connected to a large transport network, thereby creating an economic and logistics center in the Naryn border region Broad space for development. The railway will start at the Torugart Pass and connect with China's railway lines and will run north through Arpa and Makmal to Jalal-Abad, thereby connecting with Uzbekistan's railway network.

If the new railway is built, it could continue south, through Turkmenistan and Iran to Turkey and into Europe.

This shortens the distance from China to Turkey by 900 kilometers and will reduce shipping time by eight days, according to economists' calculations.

The transportation infrastructure of the Kyrgyz Republic is of great significance to China, and China has always shown great interest in the transportation capabilities of the Kyrgyz Republic. Because this determines the amount of goods supplied from China to Kyrgyzstan. The collapse of the Soviet Union marked the beginning of the development of automobile transport, which was reflected in the construction of many roads along Kyrgyzstan's border with China.

3. Energy. The Kyrgyz Republic is a country with huge hydropower potential, generating approximately 142.5 billion kilowatt hours per year, but the total amount of actual electricity produced is 10 billion kilowatt hours per year.

4. Minerals - The People's Republic of China and the Kyrgyz Republic have many cooperation projects in mineral development, such as non-ferrous metal deposits. Development of the polymetallic deposit "Kuru-Tegerek" (southern Kyrgyz Republic). Development of the Ishtanbodi gold mine (southern Kyrgyz Republic), oil refinery, and the Taldi-Brak mine.

In 2017, the development of bilateral relations and cooperation entered a new stage with the development of the Kurutegerek copper and gold mine purchased by the Chinese company Cjsc Kichi-Chaarat. The two countries plan to use Chinese technology to build a cement plant with an annual output of more than 1 million tons.

Coal industry. The Kyrgyz Republic is using Chinese financing to mine coal in the Osh region.

5. Building materials is a sustainably produced industry. Due to the impact of the global financial and economic crisis, China has become interested in producing construction materials in Central Asia.

The main projects are the construction of the Kyzyl-Ki cement plant (Osh region, south of the Kyrgyz Republic), and the planned construction of a cement plant and a brick factory (the Talas region, west of the Kyrgyz Republic).

Most proposals have been confirmed and implemented, and several proposals are still being planned and discussed.

6. Agriculture. To carry out successful cooperation in the agricultural field, China and Kyrgyzstan use new technologies to launch joint projects in the agricultural sector, supply environmentally friendly products to Chinese consumers, and establish cooperation in the field of investment to implement joint agricultural projects.

The Ministry of Agriculture and Land Reclamation of the Kyrgyz Republic plans to implement drip irrigation systems on a large territory. This technology will be applied on approximately more than 50 thousand hectares of land. The two countries are collaborating on the project and, in the long term, plan to create an industry to produce goods needed for drip irrigation.

3. An Empirical Analysis of Factors Affecting Trade Cooperation between Kyrgyzstan and China under “One Belt and One Road.”

We have conducted the above analysis on the trade cooperation between Kyrgyzstan and China. The trade between Kyrgyzstan and China has great potential for cooperation. Therefore, we will use this as a basis to further explore the influencing factors of trade cooperation between Kyrgyzstan and China. Through the analysis of relevant domestic and foreign trade theories, trade cooperation between Kyrgyzstan and China is affected by many factors, especially differences in trade products and industrial structures. The product differences between Kyrgyzstan and China are an important reason for the formation of trade cooperation between the two countries. The trade complementarity between Kyrgyzstan and China means that the goods between the two countries can meet the needs of each country. The greater the degree of complementarity, the greater the differences in the goods between the two countries. The development of bilateral trade will be more beneficial to the two countries. Well, thus promoting cooperation between the two countries. Product differentiation is a

prerequisite for the living needs of the two peoples. The greater the difference, the better the needs of the two peoples can be met. At the same time, the relationship between economic cooperation and economic development between Kyrgyzstan and China has also been greatly affected. The proportion of the output value of a country's three pillars of industry, service industry and agriculture in the gross domestic product is the basis of a country's economic development. The development of industry directly affects the economic development of countries around the world, and it also affects the economic development of countries around the world. If a country has certain advantages in a certain industrial field, the products it produces will have greater competitive advantages worldwide, affecting its role in the world economy. The differences in advantageous industries between the two countries often result in the two countries having their own advantageous products in international trade, which is conducive to trade cooperation between the two countries.

Through data analysis in the past few years, the trade between China and Kyrgyzstan is facing serious inequality. For China, there is a large trade surplus, and for Kyrgyzstan, there is a large trade deficit. In addition, Kyrgyzstan exports mostly raw materials such as raw hides, wool, cotton and cotton cloth or low-processed products to China. Although Kyrgyzstan's economy has achieved certain development after adjusting its agricultural structure, and its agricultural structure has become more reasonable. The vigorous development of animal husbandry has improved the quality of the country's fur and other raw materials. From an average point of view, the cost is lower than In China's economic exchanges between the two sides, it is reasonable for the country to export furs, but in the long run, it will not be conducive to the sustainable development of Kyrgyzstan's economy. In response to this situation, some Chinese companies have also taken certain measures to solve it. For example, it has promoted many private companies to invest in Kyrgyzstan, and at the same time, some state-owned enterprises have also begun to settle in Kyrgyzstan. Among them, the two more famous state-owned enterprises are "Road and Bridge" and "China Water", and they have also been negotiating engineering projects in recent years. On the one hand, this will lay the foundation for opening the Kyrgyzstan market, and on the other hand, it can also help related enterprises in Kyrgyzstan and provide them with corresponding technical support, thereby promoting the common development of the two countries' economies.

3.1. Data statistical description

We refer to the data in the UN Comtrade database and the World Bank database for statistics. The data is relatively complete. However, since Kyrgyzstan became independent at the end of August 1991, the country’s economy has developed independently for a short time, so the relevant data, including foreign trade data, are very sparse. At the beginning of independence, the political situation was turbulent, the economy was reformed, economic privatization was implemented, and a market economy was established, which led to a sharp decline in the level of domestic economic development, continuous decline in industrial and agricultural production levels, severe inflation, and huge fiscal gaps, leading to a fiscal crisis. The failure of government management and economic intervention has led to prominent social problems and threatened political stability. At the same time, many factories closed, workers' wages continued to decrease, people's living standards also plummeted, and supplies were in short supply. For the above reasons, on the United Nations trade website, Kyrgyzstan’s foreign trade statistics are only from 1996 to 2021.

Table 1. Statistical description of each variable

variable	observations	average	standard deviation	min. value	Max. value
prodifferece	26	0.79	0.3	0.68	0.86
industrychina	26	46.0	1.2	43.9	47.6
serchina	26	41.6	3.7	33.8	47.1
industryrus	26	36.5	2.0	32.8	38.9
serrus	26	58.5	2.4	54.3	61.9
comindex	26	0.98	0.4	0.9	1.4

Data source: Compiled based on data from the UN Comtrade database and the World Bank database.

As shown in Table 1, the product difference index of Kyrgyzstan and China is 0.79, the standard deviation is 0.3, the maximum value is 0.86, and the minimum value is 0.68. In other words, the products of Kyrgyzstan and China are very different; China's industry the average value added to GDP is 46.0, with a standard deviation of 1.2, with a maximum of 47.6 and a minimum of 43.9. The average ratio of value added to GDP in China's service industry is 41.6, with a standard deviation of 3.7, with a maximum of 47.1 and a minimum of 43.9. It is 33.8, which shows that China's industrial structure is relatively reasonable, but the proportion of the service industry is still low, and the industrial structure needs to be improved. The average ratio of Kyrgyzstan's industrial added value to GDP is 36.5, with a standard deviation of 2.0. Kyrgyzstan's service added value accounts for 58.5 in GDP, with a standard deviation of 2.4, with the highest being 61.9 and the lowest being 54.3. It shows that Kyrgyzstan's industry is relatively reasonable; the average value of Kyrgyzstan-China comprehensive trade cooperation index is 0.98, the standard deviation is 0.4, the maximum value is 1.4, and the minimum value is 0.9, indicating that the trade cooperation between Kyrgyzstan and China is very close. And because the variance is small, the trade cooperation between Kyrgyzstan and China is relatively stable.

3.2. Robustness check

Through the robustness test of the explained variables, the stability and rationality of the model are proved, and the return on net assets is replaced with the return on total assets, so that the calculation of the model can be tested on the robustness.

Table 2. Robustness test of the impact of product differences on trade cooperation between Kyrgyzstan and China.

		coefficient	standard error	t	VIF
explanatory variables	Product differences	0.0023*	0.0032	1.72	1.07
control variables	China's industrial added value as a share of GDP	0.0048***	0.0015	2.92	2.11
	The added value of China's service industry as a share of GDP	-0.2814***	0.0117	-23.74	1.12
	The added value of China's service industry as a share of GDP	-0.0255***	0.0888	-2.87	1.68
	Kyrgyzstan's service industry added value as a share of GDP	0.0124	0.1024	1.21	1.11
	China's industrial added value as a share of GDP	0.0006	0.0004	1.27	1.74
	Year	Control			
	R2	0.352			
	F value	25.659***			

Note: *, **, and *** represent significant at the 10%, 5%, and 1% levels respectively.

From the data in Table 2, we can see that in the stability test, the coefficient of product difference is 0.0023, which is significant at the 10% level, and the coefficients of each variable are consistent with the empirical regression results of this article, and there is a difference between the two. A positive correlation indicates that the robustness test has been passed.

Table 3. Robustness test of the impact of differences in industrial structure on trade cooperation between Kyrgyzstan and China.

		coefficient	standard error	t	VIF
explanatory variables	Differences in industrial structure	-0.0183***	0.0032	-5.86	1.13
	China's industrial added value as a share of GDP	0.0036**	0.0017	2.24	2.15
	The added value of China's service industry as a share of GDP	-0.2734	0.0116	-23.23	1.12
control variables	Kyrgyzstan's industrial added value as a share of GDP	0.0103***	0.0088	-3.92	1.72
	Kyrgyzstan's service industry added value as a share of GDP	0.0407	0.0102	1.02	1.11
	Year	Control			
	R2	0.368			
	F value	25.469***			

Note: *, **, and *** represent significant at the 10%, 5%, and 1% levels respectively.

As can be seen from Table 3, the results of the stability test show that at the 1% significance level, the coefficient of industrial structure difference is -0.0183, and the coefficients of each factor are consistent with the empirical regression values of this article, and both There is a positive correlation between them, which indicates that they have passed the robustness test. Through the verification of research hypothesis 1 and hypothesis 2, the correctness and stability of the research results were verified.

3.3. Result analysis

Based on the above analysis, the following points can be drawn: First, under the "One Belt, One Road" policy, trade cooperation between Kyrgyzstan and China is mainly determined by the differences in the products of the two countries and the differences in the industrial structures of the two countries, which is in line with theoretical predictions ; Second, under the "Belt and Road" initiative, product differences have a greater impact on trade cooperation between Kyrgyzstan and China than the industrial structure. Therefore, to strengthen trade cooperation between Kyrgyzstan and China, Kyrgyzstan and China should the focus is on the differences in China's trade products; third, China's service industry, Kyrgyzstan's industry, and Kyrgyzstan's service industry have a positive effect on Kyrgyzstan-China trade cooperation. Therefore, it is necessary to strengthen Kyrgyzstan-China trade cooperation under the "One Belt, One Road" policy. China needs to develop the service industry and increase the proportion of the service industry in GDP. Kyrgyzstan needs to develop industry and service industries and increase the proportion of industry and service industry in Kyrgyzstan's GDP respectively.

4. Conclusions and countermeasures and suggestions

To sum up, it can be concluded that after more than 30 years of cooperation, Kyrgyzstan and China have established extensive trade, economic, cultural, and humanistic exchanges, thanks to their common land border. Cooperation projects in the construction of roads and energy infrastructure, mining, manufacturing, agriculture, and other economic sectors have been implemented in Kyrgyzstan, and trade cooperation between the two countries has become closer. In short, China is one of the main strategic partners of the Kyrgyz Republic. In view of the friendly and mutually beneficial bilateral relations, the smooth implementation of joint China-Kyrgyzstan-Uzbekistan road and railway projects in the field of energy and logistics is ensured.

However, there are some problems in this regard, as Kyrgyzstan's exports to the People's Republic of China are far lower than its imports. A small population, more mountains than plains, rich natural resources, and a weak national economy - all this affects the state of the country. Because China is quite developed in economic, cultural, and other fields, it occupies a leading position in bilateral cooperation. Trade cooperation between the two countries is not yet at the same level. However, the great prospects for growing cooperation between Kyrgyzstan and China are clear.

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