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**Zufarova Nozima Gulamiddinovna**  
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# APPLICABILITY AND PATHWAYS FOR PROMOTING CROSS-BORDER RMB SETTLEMENT IN UZBEKISTAN

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**Abstract.** This study examines the applicability of cross-border RMB settlement in Uzbekistan and proposes practical promotion pathways for the period 2013–2024. Based on an analysis of bilateral trade and investment data, policy documents issued by the central banks of both countries, and 28 enterprise case studies, the research presents several key findings. Cross-border RMB settlement in China–Uzbekistan transactions has grown at an average annual rate of 42.3%, reaching a settlement volume of USD 3.86 billion in 2024 and accounting for 27.4% of total bilateral trade. Its applicability is reflected in three main dimensions: reducing exchange rate risks for enterprises, lowering transaction costs by an average of 18.7%, and supporting the objectives of financial cooperation under the Belt and Road Initiative (BRI). Nevertheless, key constraints remain, including limited RMB liquidity in Uzbekistan, insufficient cooperation among financial institutions, and low awareness among enterprises. Policy recommendations focus on expanding RMB swap agreements, strengthening financial infrastructure connectivity, and implementing targeted promotion programs for enterprises.

**Key words:** Uzbekistan; cross-border RMB settlement; China–Uzbekistan trade; exchange rate risk; Belt and Road Initiative (BRI).

## 1. INTRODUCTION.

With the deepening of economic and trade cooperation under the Belt and Road Initiative (BRI), cross-border RMB settlement has become an important pillar of financial cooperation between China and partner countries (Wikipedia, 2024). For Uzbekistan—a country with a high degree of dollarization in foreign trade, where over 85% of transactions were settled in USD prior to 2013—excessive reliance on major international currencies has exposed enterprises to significant exchange rate volatility risks and high transaction costs (Central Bank of Uzbekistan, 2014).

Since 2013, China and Uzbekistan have gradually promoted cross-border RMB settlement through policy coordination, with the first RMB settlement transaction in the energy sector completed in 2017 (Belt and Road Portal, 2025). By 2023, bilateral trade between the two countries had reached USD 13.7 billion, and cross-border RMB settlement had expanded to cover energy, manufacturing, agriculture, and other key sectors (Consulate General of the Republic of Uzbekistan in Aktau, 2025). The administration of President Shavkat Mirziyoyev has emphasized financial cooperation as a key dimension of Sino–Uzbek collaboration, aiming to reduce reliance on third-party currencies and enhance trade stability (President.uz, 2024).

Against this backdrop, this study addresses two core research questions:

1. What is the current applicability of cross-border RMB settlement in Uzbekistan's economic and trade activities during the period 2013–2024?
2. What feasible pathways exist to further promote cross-border RMB settlement in Uzbekistan?

The study relies on secondary data from central banks, trade statistics, and enterprise surveys, and adopts a qualitative descriptive approach combined with quantitative trend analysis.

## **2. REVIEW OF LITERATURE ON THE TOPIC.**

Scholars have widely discussed the drivers and effects of cross-border RMB settlement. Eichengreen (2013) argues that the internationalization of a currency is driven by trade volume, financial market development, and policy support. In the BRI context, Kassenova (2020) notes that cross-border RMB settlement helps reduce currency mismatch risks for countries along the route, enhancing the stability of regional trade and investment.

Regarding Sino–Central Asian financial cooperation, Rogozhin (2023) points out that China’s promotion of cross-border RMB settlement in Central Asia is closely linked to investment and trade activities, with energy and infrastructure projects serving as key drivers. Existing studies have two key limitations:

1. Most focus on the general framework of cross-border RMB settlement in Central Asia rather than the specific applicability and challenges in Uzbekistan;
2. Few studies propose targeted promotion paths based on enterprise-level practice. This research fills these gaps by analyzing the practical applicability of RMB settlement in Uzbekistan and putting forward actionable paths.

## **3. RESEARCH METHODOLOGY**

This research uses secondary data and adopts a mixed-methods design (qualitative + quantitative):

### **3.1 Data Sources:**

–Primary data: Cross-border RMB settlement data (2013–2024) from the People’s Bank of China (PBoC) and the Central Bank of Uzbekistan; 28 enterprise case studies involving the use of RMB settlement (including energy enterprises, manufacturing SMEs, and agricultural exporters); and policy documents such as bilateral currency swap agreements.

–Secondary data: Academic papers, reports from international organizations (Eurasian Development Bank, 2024), and trade cost analyses from the International Monetary Fund (IMF, 2023).

### **3.2 Analysis Methods:**

–Quantitative Trend Analysis: Tracking changes in RMB settlement volumes, the share of RMB settlement in total bilateral trade, and transaction cost savings to assess applicability.

–Case Study Analysis: Examining the motivations, experiences, and challenges of enterprises using RMB settlement across different sectors.

–Constraint Identification: Summarizing key barriers to RMB settlement based on enterprise feedback and policy documents, and classifying them into liquidity, financial infrastructure, and awareness categories.

## **4. ANALYSIS AND RESULTS.**

4.1 Current Status of Cross-Border RMB Settlement in Uzbekistan. Table 1 summarizes the development of cross-border RMB settlement in China–Uzbekistan transactions (2013–2024).

Table 1

Development of cross-border rmb settlement in China-Uzbekistan transactions (2013–2024)

Indicator	2013	2017 (First Transaction)	2020	2023	2024
RMB Settlement Volume (Billion USD)	0	0.32	1.58	3.12	3.86
Share of Bilateral Trade (%)	0	7.97	27.68	22.77	27.44
Number of Participating Enterprises	0	12	89	215	342
Average Transaction Cost Reduction (%)	-	15.3	17.2	18.1	18.7

Source: Compiled by the author based on PBoC (2024) and Uzbekistan Central Bank (2024)

Key growth drivers include:

- Policy Support: The signing of the China–Uzbekistan Currency Swap Agreement (2018, renewed in 2023 with a scale of RMB 7 billion) has provided liquidity support for cross-border RMB settlement (PBoC, 2023).

- Trade and Investment Integration: Chinese investment in Uzbekistan (exceeding USD 12.14 billion by 2024) has stimulated the use of RMB settlement in project contracting, equipment procurement, and profit repatriation (American Enterprise Institute, 2024).

#### 4.2 Applicability of Cross-Border RMB Settlement in Uzbekistan

##### 4.2.1 Reducing Exchange Rate Risk. Uzbekistani enterprises face significant exchange rate volatility when using USD settlement. For example:

- A Tashkent-based textile SME reported that fluctuations in USD–RUB and USD–UZS exchange rates caused a 12–15% profit swing between 2019 and 2022; after switching to RMB settlement in 2023, profit volatility declined to 4.3% (enterprise case study).

- Energy enterprises (e.g., *Uzbekneftegaz*) using RMB for natural gas exports to China have avoided annual losses of approximately USD 46 million associated with USD exchange rate fluctuations (Uzbekistan Ministry of Energy, 2024).

##### 4.2.2 Lowering Transaction Costs. RMB settlement reduces transaction costs through two main channels:

- Eliminating Intermediate Exchange: Direct RMB–UZS settlement bypasses the USD intermediary link, reducing exchange costs by 8–10% per transaction (IMF, 2023).

- Simplifying Procedures: Cooperation between Chinese and Uzbekistani banks (e.g., ICBC and the National Bank of Uzbekistan) has streamlined settlement processes, reducing handling fees by approximately 30% compared to USD-based settlement.

##### 4.2.3 Aligning with BRI Financial Cooperation Goals. Cross-border RMB settlement supports Uzbekistan’s integration into the BRI financial cooperation framework:

- RMB settlement has been adopted in key BRI projects, such as the China–Kyrgyzstan–Uzbekistan railway and PowerChina’s photovoltaic power plants, ensuring greater funding stability (Belt and Road Portal, 2025).

- The establishment of RMB clearing accounts in Uzbekistani banks (as of 2024, five banks have obtained RMB clearing licenses) has strengthened financial connectivity between the two countries.

#### 4.3 Sectoral Distribution of RMB Settlement. Table 2 presents the sectoral breakdown of cross-border RMB settlement in Uzbekistan (2024):

Sectoral distribution of cross-border rmb settlement in Uzbekistan (2024)

Sector	RMB Settlement Volume (Billion USD)	Share of Total RMB Settlement	Key Drivers
Energy(Gas, Petroleum)	2.12	54.92%	Large trade volume, long-term contracts with Chinese enterprises
Manufacturing (Textiles, Machinery)	0.98	25.39%	SME participation, export-oriented production
Agriculture (Dried Fruits, Cotton)	0.46	11.92%	Growing demand from Chinese markets, e-commerce exports
Infrastructure (Project Contracting)	0.30	7.77%	BRI project funding, equipment procurement

Source: Compiled by the author based on Uzbekistan Central Bank (2024) and Enterprise Case Studies

#### 4.4 Key Constraints

Despite positive growth, three core challenges hinder the promotion of RMB settlement:

4.4.1 Limited RMB Liquidity: RMB holdings in Uzbekistan account for only 1.2% of total foreign exchange reserves, making it difficult to meet large-scale settlement demand (Central Bank of Uzbekistan, 2024).

4.4.2 Insufficient Financial Institution Cooperation: Only 5 out of 34 Uzbekistani banks currently provide RMB settlement services, and cross-border payment efficiency remains lower than that of USD settlement (average settlement time: 2–3 days for RMB versus 1 day for USD).

4.4.3 Weak Enterprise Awareness: Approximately 63% of Uzbekistani SMEs are unfamiliar with RMB settlement policies and procedures, while 47% express concerns regarding RMB exchangeability (Eurasian Development Bank, 2024).

## 5. CONCLUSIONS AND RECOMMENDATIONS.

This study analyzes the applicability and promotion paths of cross-border RMB settlement in Uzbekistan during the period 2013–2024. The findings indicate that RMB settlement demonstrates strong applicability by reducing exchange rate risks and transaction costs for enterprises, while also aligning with the financial cooperation objectives of the Belt and Road Initiative (BRI). The energy and manufacturing sectors serve as the primary drivers of RMB settlement, with increasing participation from small and medium-sized enterprises (SMEs) and agricultural exporters.

Key conclusions include:

Cross-border RMB settlement is highly applicable to China–Uzbekistan economic and trade activities, particularly for long-term and large-volume transactions in the energy and infrastructure sectors.

Policy support and trade–investment integration are critical drivers of RMB settlement growth; however, constraints related to liquidity, financial infrastructure, and enterprise awareness remain significant challenges.

Promoting cross-border RMB settlement can enhance the stability and efficiency of Sino–Uzbek economic and trade cooperation, thereby supporting Uzbekistan’s de-dollarization efforts.

Policy Recommendations

Expand Liquidity Support: Increase the scale of the China–Uzbekistan currency swap agreement and encourage Uzbekistani banks to hold a higher share of RMB assets through targeted incentive mechanisms.

Strengthen Financial Infrastructure Connectivity: Promote greater participation of Uzbekistani banks in the Cross-Border Interbank Payment System (CIPS) and optimize cross-border payment processes to shorten settlement times.

Enhance Enterprise Promotion: Cooperate with industry associations to implement RMB settlement training programs and establish a one-stop consultation platform to provide enterprises with policy guidance and service support.

Diversify Settlement Scenarios: Extend the use of RMB settlement to cross-border e-commerce, tourism, and remittances, thereby expanding its application beyond traditional trade and investment activities.

This study provides empirical evidence on the applicability of cross-border RMB settlement in Central Asian countries and offers policy-relevant insights for governments seeking to deepen BRI-related financial cooperation. Future research may focus on the impact of RMB settlement on Uzbekistan's foreign exchange reserve structure and the conduct of its monetary policy.

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