Challenges and Countermeasures of China’s International Trade under the Background of “One Belt One Way”

JIANRU LIN

ABSTRACT

In recent years, world economic growth is getting weaker, global trade has also undergone tremendous changes into the growth downturn. At the same time, international trade has developed a trend of anti-globalization, which caused China's international trade growth continued to decline and lower than the GDP growth. However, China put forward the strategic plan "One Belt One Way ", which promotes the closer relationship between China and countries along the route. This is a necessary way to promote economic cooperation in Asia and an important part of China's response to the severe challenges of the world economy. So how to effectively and rationally solve the trade friction between countries become the common problems of China and countries along the route. Therefore, in order to ensure the suitability of international economic rules and better solve international trade, energy disputes and other issues to promote the steady development of the world economy, we analysis the development of China's international trade in recent years, and summarize the challenges of China's international trade, then give the countermeasures to promote a better development of China's international trade.

KEYWORDS

One Belt One Way, International Trade, Trade Friction, Challenges, Countermeasures

INTRODUCTION

The progress and results of the "One Belt and One Way" construction have been beyond expectation. More than 100 countries and international organizations in the world are participating in this project and more than 40 countries and international organizations signed cooperation agreements with China to form a broad consensus on international cooperation. The success of the "One Belt One Way" strategy relates not only to the rejuvenation of China but also to the prosperity of 65 countries and regions along the route [1]. However, due to the differences in politics, economy, culture and infrastructure construction, the development of trade between China and other countries along the route is both an opportunity and a challenge for our country. The trade frictions among neighboring countries are constant, emerging economies represented by Brazil and India will inevitably aggravate the friction in the battle for the market [2]. As many as 17 countries initiated trade remedy investigations against our country's export products, while the number of cases reached 65[3] in the second

Jianru Lin, jianru1023@gmail.com, Accounting, Westminster College, Fulton 65251, United States.
half of 2016. In fact, in order to strive for the maximization of self-interests, countries in different positions based on the global value chain must strive to enter a more advantageous position upstream, while countries that were originally located in the upper reaches of the country will take a series of trade protection measures to maintain its own interests, which will inevitably further aggravate the trade friction [4]. Therefore, it is necessary to analyze the trade data between our country and the countries along the road in recent years to find out the challenges of China international trade under the background of “One Belt One Way” and to give some countermeasures to promote the sustained growth of China’s economy.

THE DEVELOPMENT OF INTERNATIONAL TRADE UNDER THE BACKGROUND OF “ONE BELT ONE WAY”

Overview of Relevant Trade Policies

On September 7, 2013, China started to actively build economic cooperation with other countries along the road. On May 20, 2014, China and Russia announced the "Joint Statement on the New Phase of Comprehensive Strategic Partnership". On January 1, 2015, the Eurasian Economic Union (EAEU) was officially established, whose members are all important countries along the Silk Road Economic Belt [5]. In May 2015, China and Russia signed the “Joint Statement on the Cooperation in the Construction of the Silk Road Economic Belt and the Construction of Eurasian Economic Union”, emphasize deepening pragmatic cooperation in economy and trade. In January 2017, the National Development Reform Commission and other 13 departments jointly set up the "One Belt One Road" PPP Working Mechanism [6].

Analysis of Related Trade Data

A total of 64 countries along the “One Belt One Way” are China, Mongolia, Russia and 11 countries in Southeast Asia (Indonesia, Thailand, Malaysia, Vietnam, Singapore, the Philippines, Myanmar, Cambodia, Laos, Brunei, and Timor-Leste), 8 countries in South Asia (India, Pakistan, Bangladesh, Sri Lanka, Afghanistan, Nepal, Maldives, Bhutan), 16 countries in West Asia North Africa (Saudi Arabia, UAE, Oman, Iran, Turkey, Israel, Egypt, Kuwait, Iraq, Qatar, Jordan, Lebanon, Bahrain, Yemen, Syria, Palestine), 5 countries in Central Asian States (Kazakhstan, Uzbekistan, Turkmenistan, Kyrgyzstan, Tajikistan) and 6 countries in other CIS countries (Ukraine, Belarus, Kruger, Azerbaijan, Armenia, Moldova). We will use the following data to analyze China's trade with other countries along the “One Belt One Way.”

CHINA'S EXPORT TO COUNTRIES ALONG THE “ONE BELT ONE WAY”

It can be seen from Table 1 that the export volume of our country to Southeast Asia, South Asia region has been rising from 2007 to 2016, which shows that the trade relations between our country and these regions are still stable and sustainable. However, China's exports to West Asia North Africa, Central and Eastern Europe, Central Asia, other CIS countries, Mongolia and Russia have fluctuated from 2007 to 2016, and in recent years, exports have declined, which shows that the trade frictions
between our country and these countries are gradually appearing and the trade resistance between regions is also gradually emerging.

It can be seen from Figure 1 that there are great differences in the export volume between China and other countries along the "One Belt One Road". For example, China's largest exporter in Vietnam, and the youngest exporter is Bhutan. China's exports to Indonesia, Thailand, Malaysia, Singapore, the Philippines, India, Pakistan, Bangladesh, Saudi Arabia, the United Arab Emirates, Iran, Turkey, Poland and Russia all exceed 100 billion U.S. dollars, but China's exports to Palestine, Macedonia, Bosnia and Herzegovina and Moldova are only below one billion U.S. dollars. Which shows that there is a big gap between China and the countries that export along the routes. Our country does not currently open up trade with all the countries along the “One Belt One Way” and needs to further export its products to countries that are in a relatively weak trade relationship.

### TABLE 1. CHINA EXPORT DATA TO THE MAIN CATEGORIES FROM 2007 TO 2016 (10,000 US DOLLARS).

| Year | Southeast Asia | South Asia | West Asia | Central and Eastern Europe | Central Asia | other CIS countries | Mongolia | Russia |
|------|----------------|------------|-----------|-----------------------------|--------------|---------------------|----------|--------|
| 2007 | 7131694        | 2339333    | 3710653   | 2099931                     | 773777       | 442767              | 43350    | 1583249|
| 2008 | 9415626        | 3511468    | 5473249   | 2497530                     | 1269245      | 684631              | 68295    | 2846620|
| 2009 | 11432619       | 4438986    | 6989736   | 3273757                     | 2259599      | 904711              | 90783    | 3307585|
| 2010 | 10628012       | 4186178    | 6014555   | 2627011                     | 1682489      | 478942              | 106788   | 1751858|
| 2011 | 13820264       | 5760783    | 7552978   | 3459027                     | 1653022      | 767818              | 144976   | 2961207|
| 2012 | 17014102       | 7130183    | 9687082   | 4016323                     | 1858500      | 973911              | 273164   | 3890352|
| 2013 | 20431704       | 7044820    | 10256780  | 3880341                     | 2130443      | 1029022             | 265350   | 4405596|
| 2014 | 24408723       | 7524762    | 11669698  | 4051964                     | 2324083      | 1068453             | 244959   | 4959117|
| 2015 | 27210601       | 8582922    | 13810664  | 4370451                     | 2405310      | 800876              | 221638   | 5367694|
| 2016 | 27739541       | 9424398    | 12986233  | 4215837                     | 1756298      | 568480              | 157070   | 3475688|

Data source: National Bureau of Statistics

Fig. 1. China's Export Data to Countries along the “One Belt One Way” from 2007 to 2016.
CHINA'S IMPORTS FROM COUNTRIES ALONG THE “ONE BELT ONE WAY”

It can be seen from Table 2 that China's imports from other CIS countries have been rising from 2007 to 2016, which shows that the trade relations between our country and these regions are still stable and sustainable at comparative prices. The products of these countries can meet the further demand of our country's scientific and technological economic development. However, China's imports to Southeast Asia, South Asia, West Asia North Africa, Central and Eastern Europe, Central Asia, Mongolia, and Russia have fluctuated from 2007 to 2016, and their imports have declined in recent years. Which shows that on the one hand, some of these countries' products have failed to meet the requirements of China's economic and technological development, on the other hand, the rapid development of China's economy has resulted in a gradual increase of its overall national strength. These countries have implemented trade barriers and prevented China to import its own advanced Technology products and technologies.

From Figure 2, we can see that there are great differences in the import volume of China from the "One Belt One Way" countries. For example, China's largest importer in Malaysia while the youngest importer is the Maldives. China's imports from Indonesia, Thailand, Vietnam, Singapore, the Philippines, India, Saudi Arabia, the UAE, Oman, Iran, Iraq, and Russia have reached 100 billion U.S. dollars while those from East Timor, Bhutan, and Palestine have reached millions of U.S. dollars. This shows that there is a big difference between China and other countries along the line of imports. At present, China does not open up trade with all the countries along the “One Belt One Way”. We need to further strengthen cooperation with other countries and import advanced products and technologies from the country to promote the further development of our economy’s science and technology.

TABLE 2. CHINA IMPORT DATA FROM MAIN CATEGORIES FROM 2007 TO 2016
(THE US $ 000).

|         | Southeast Asia | South Asia | West Asia North Africa | Central and Eastern Europe | Central Asia | other CIS countries | Mongolia | Russia |
|---------|----------------|------------|------------------------|---------------------------|--------------|----------------------|----------|--------|
| 2007    | 8953752        | 1142740    | 4181566                | 325243                    | 432014       | 90388                | 2082493  | 415438 |
| 2008    | 10838588       | 1590097    | 4938738                | 478101                    | 696947       | 133443               | 4769317  | 175543 |
| 2009    | 11700302       | 2146823    | 8226154                | 580201                    | 822672       | 182435               | 423315   | 196885 |
| 2010    | 10674899       | 1520486    | 5867409                | 606641                    | 691953       | 287899               | 515206   | 238327 |
| 2011    | 15470097       | 2296359    | 9075579                | 931227                    | 1360339      | 282457               | 575206   | 212329 |
| 2012    | 19301984       | 2610978    | 13875603               | 1276556                   | 2106563      | 414025               | 370107   | 259210 |
| 2013    | 19589230       | 2261086    | 14999420               | 1325617                   | 2464385      | 399477               | 394770   | 441504 |
| 2014    | 19955871       | 2100530    | 16184546               | 1457957                   | 2703329      | 423315               | 359055   | 396678 |
| 2015    | 20824057       | 2018668    | 16608721               | 1649208                   | 2095901      | 476395               | 510209   | 415935 |
| 2016    | 19447556       | 1696298    | 10540808               | 1409993                   | 1505428      | 506375               | 379538   | 332586 |
CHALLENGES OF CHINA’S INTERNATIONAL TRADE UNDER THE BACKGROUND OF “ONE BELT ONE WAY”

Political Risk

As we all know that the "One Belt One Way" route involves many countries and regions. These countries are mainly geopolitical fragmented areas. Among them, there are three forces such as violence and terror, religious extremism and ethnic separatism in Central Asia that affect social stability. Coupled with the occurrence of exclusion events in some areas, it has seriously affected China's investment and financing in the areas along the route. At the same time, some countries along the route have a rather complicated domestic environment. In addition to the relatively stable political situation in countries such as ASEAN and India, there are political instability, corrupt officials, low efficiency, sluggish economic development and the political game of big countries in the vast Central Asian region, the Middle East, and Eastern Europe. This poses enormous challenges and extremely high investment risks for our country to carry out trade relations with the countries along the route.

Industry Chain risk

Due to the unbalanced distribution of profit in the global value chain and the achievement of the occupation of both ends of the smile curve in order to get rid of the trough limit as far as possible, developing countries and emerging economies will try their best to extend their positions in the industrial chain to realize the middle-to-the-end expand [7]. After analyzing the investment destination, we found that China invested much in Southeast Asia countries, and invested little in the Middle East, South Asia, and other places relatively. China's overseas investment not only needs to consider its own strategic development needs but also needs to meet the returns of various regions. Some foreign media hype many negative impacts on our count, therefore, China must change its development train of thought and follow the principle of shared development to adjust the layout of its industrial chain. While ensuring the strategic resources and food security in China and enhancing the competitiveness of their industries, China must closely follow the development rules of other countries and produce positive results in promoting the economic influences of the participating countries' development.
Trade friction risk

The field of direct investment along the line is relatively simple, the investment chain is short, and the friction is large, which has a great negative impact in the host country. This competition for a limited market will exacerbate the contest between each other's control and anti-control, this will directly result in the change of the international division of labor and the adjustment of the distribution ratio of interests among countries. This kind of conflict that ends up in the fight for benefits will eventually be externalized as an ever-increasing trade friction and a continual escalation of contradictions. In fact, the escalation of trade frictions suffered by China and other countries in recent years is precisely the highlight of the conflicts among countries in fighting for international markets under the conflicts of interests in global value chains.

Cross-border logistics construction risk

As more countries are involved in the “One Belt One Road”, cultural and political differences and infrastructure construction in various countries are very different. The situation is very complicated, causing many problems in the coordination of various logistics elements [8]. Therefore, the main reason for the unsatisfied development of China's international logistics industry is that China is seriously unbalanced with the development of the national logistics along the "One Belt One Way". For example, China’s logistics with Hong Kong, Singapore, and most European countries have been developing rapidly, but with Afghanistan, Cambodia, Central Asia, West Asia and East Asia lagged behind. The economic development of the countries and regions along the routes varies in scale, which brought tremendous difficulties to the integrated international logistics management and coordination among countries along the “One Belt One Way”. For example, the port of Alashankou and Horgos, adjacent to China and Kazakhstan, have been subject to the management and conversion capacity of the Kazakh side. Frequent cargo backlogs have affected the smooth flow of cross-border logistics. However, infrastructure construction requires huge investment, but the level of economic development in the countries and regions along the route is uneven, which is a huge need for China to undertake the investment in logistics construction.

COUNTERMEASURES OF CHINA’S INTERNATIONAL TRADE UNDER THE BACKGROUND OF “ONE BELT ONE WAY”

Strengthen "One Belt and One Road" cross-border cooperation and develop a diversified industrial chain

It is suggested that we need to distinguish between primary and secondary in the international trade along the "One Belt One Way" economic belt. We can take the output of the power industry as the main path to increase the output of emerging industries. In the new economy, the implementation of energy input in a diversified path will reduce the price of possible energy control and monopolize resources. In particular, it is necessary to speed up the construction of China's power industry Internet. China can continue to expand its export advantages and develop a diversified industrial chain with high-quality and high-tech products. Domestic enterprises should seize this opportunity to further study foreign trade policies, acquire brands and technologies through overseas
mergers and acquisitions, enhance the technical level of their products and further avoid foreign trade barriers so as to promote the further development of China's cross-border trade.

Set up cross-border economic & trade cooperation and build a stable international logistics channel

At present, there are only two international commercial and trade logistics corridors in the west of China, namely the Siberian Eurasian Continental Bridge on the northern line, the Lianyungang-based central line on which the Longhai Line connects to the new Eurasian Continental Bridge at Alashankou. These two major international logistics channels provide a powerful guarantee for the supply of resources in China and have great significance to the sustained and healthy development of China's economy. In order to increase cross-border economic and trade cooperation, China needs to stimulate its trade needs to increase logistics infrastructure construction. First, it is necessary to do a good job of building important nodes in ports like harbor, dry port and port cities such as Dalian, Lianyungang, Shanghai and Shenzhen, and make full use of the existing logistics distribution functions of these logistics nodes; Second, we need to strengthen the construction of transportation infrastructure. One of the purposes of implementing the "One Belt One Way" strategy is to promote the economic development in the central and western regions of China. We must make full use of the existing road and railway infrastructure in the central and western regions and promote the smooth flow of logistics in the region. Thirdly, we should increase transportation infrastructure construction in the three northeastern provinces of China, the far east of Russia and southwestern provinces and neighboring countries in China.

Broaden financing channels and improve financing efficiency

China should actively broaden the financing channels and improve the effectiveness of financing. On one hand, the "One Belt One Way" construction needs a lot of financial support. Our country can rely on the support of various financial organizations to further ease the financing difficulties in this project by issuing stocks and bonds to guide private capital to participate in project investment. On the other hand, the core of the "One Belt One Way" strategy lies in building a sound infrastructure, so how to ensure the project investment and financing benefits is the focus of development. Our country needs to target the development of different countries and regions in the "One Belt One Way", we shall need to formulate targeted financing and capital usage models to play the role of capital and other factors in promoting China's infrastructure construction and economic development. China should actively carry out investment and financing activities of the project, especially in the investment and financing of facilities with matching infrastructures, and introduce them rationally according to the situation so as to enhance the effectiveness of investment and financing to further expand the investment and financing channels of all countries along the "One Belt One Way".

REFERENCES

1. Li Xinyue. Countermeasure Discussion on Promoting the Rapid Development of Foreign Economy and Trade under the New Situation [J]. Economic and trade practice, 2016.01: 63-64.
2. Dong Hong, Lin Huihui. The Change of China’s Foreign Trade Pattern and Prevention of Trade Frictions under the “One Belt One Way” [J]. China's circulation economy, 2015(5): 119-124.
3. Half a year China's anti-dumping case amounted to 8.5 billion, and steel has become hardest hit by trade friction[EB/OL].2016.09.
4. http://finance.sina.com.cn/roll/2016-09-18/doc-ifxvyqwa3344662.shtml.
5. Chen Zhong, Xiao Yiwen. Inhibition of Technical Barriers to Trade and Its Impact on Export of Products [J]. Journal of Changsha University of Science and Technology (Social Science Edition), 2014(2):86.
6. Sheng Yi, Yu Haiyan, Yue Chaomin. The Connotation, Characteristics and Strategic Priorities of the “One Belt One Way” [J]. Economic reform, 2015(01):24-29.
7. Liu Ning. An Analysis of the New Pattern of China’s Trade under the Strategy of "One Belt One Way"[J]. Managers, 2017.07.
8. Song Chunz. Research on the Impact of Division of Labor in Global Value Chain on International Trade Friction—Based on China's case analysis [D]. Liaoning University, 2014.
9. Li Jun. Study on China International Trade & Logistics under "One Belt One Way" [J]. Monthly Crossword, 2017.09(484).