

RESEARCH ARTICLE

A Research on China's Process of Globalization and the Belt and Road Initiative

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Abstract

China has seized the opportunity of the world economic transition and integrated into economic globalization ever since it began to implement its national policy of the reform and opening up in 1978. China has taken advantage of its abundant labor force, began its bringing in the capital, technology and managerial experience from the field of processing trade and gone through learning, absorption and innovation. As a consequence, it has grown into both the world's second largest economic entity and the largest country of import and export trade. It is a role model of making full use of the international division of labor, international resources and the international market to develop national economy. Nowadays, China has come up with the Belt and Road Initiative and achieved its further harmony with the global economy with a view to promoting its domestic economic transformation and upgrade and helping the surrounding areas with their economic prosperity.

Keywords: *Globalization, The Belt and Road Initiative, Economic Cooperation.*

Introduction

Globalization is both a process of social development and a trend of the world's development. It is a general background which none of countries can obtain development isolated from. Even China is no exception.

China's economy has been developing rapidly ever since it began to implement its national policy of the reform and opening-up in 1978. China's annual GDP growth rate from 2013 to 2015 reached 7.3%, which outclasses the world average over the same period, 2.4% (according to the WB) and is obviously higher than both that of the developed economic entities of America, Europe and Japan and that of any other country of BRICS. During the same period, China's rate of contribution to world economic growth on average is

about 26%. Ever since China became the world's second largest economic entity in place of Japan in 2009, its GDP has ranked second in the world. As the IMF has measured, China's GDP in 2015 accounts for 15.5% of the total of the world.

The vital motivation of China's high-speed economic development comes from the use of the global market and opening-up. It is mainly reflected in the following facts.

- China's import and export trade ranks first in the world. From 2012 on, the world's major economic entities has been lacking motivation in economic recovery and foreign demand, and worldwide staple commodity price has fallen sharply. China's total amount of import and export

of goods, however, has been accounting for an increasing proportion of the world trade and has exceeded that of the U.S. for the first time in 2013, continuously ranking first in the world.

- China's service trade ranks second in the world. China's total volume of Foreign Service trade ranks fourth in 2012, third in 2013. In 2014, it reaches up to 604.3 billion dollars, and its proportion of the world increases to 6.2% in 2014 from 5.4% in 2012, exceeding that of Germany.
- China's Foreign direct investment is in the lead in the world, and China's OFD ranks third. China's Foreign direct investment has been steadily increasing and reached up to 126.3 billion dollars in 2015, which is more than in 2014 by 6.4% (calculated in China's yuan terms), second to the U.S. and Hong Kong, China. In recent years, China has been devoted to carrying out a new round of all-round opening-up strategy and giving great impetus to the construction of the Belt and Road Initiative, as a result of which, China's OFD has achieved record highs over and over again.

Nowadays, China's economy has been confronted with a turning point. Labor is no longer cheap and abundant; with land supply shortage and the severe environmental pollution as well as the impact of the financial crisis on the traditional Chinese export market, the economic depression still exists, and so does the weak market demand. China's economy has stepped into the New Normal; namely, China cannot promote the economic development by means of large-scale investments and a great number of exports as it used to, and it is by means of increasing domestic demand and improving the ability of technological innovation as well as exploiting the new international trade market that China should ensure a sustainable economic growth.

This research thesis aims to sum up the process of China's globalization and discuss how China can achieve its further opening to the outside world and take full advantage of the Belt and Road as well as get increasingly harmonious with the global economic system and exploit the new international market to develop its economy.

Review of Literature

Concept and Connotation of Globalization

Globalization has been the research focus in academy since the 1980s, and its perspective of research is very extensive. Theodore Levit points out that during the twenty years from 1965 to 1985, international economy changed immensely, and goods, services, capital and technology were diffusing in the worldwide fields of production, consumption and investment, and he raised the concept of globalization in his thesis, *The Globalization of Markets* in 1985. Later on, numerous scholars defines globalization in various aspects [1].

Liao Yang (2005) defines globalization from the perspective of the development and change of the society [2]. Namely, Globalization is a process of the development and change of the society, in which human beings are moving towards the global society from the original closed state of isolating each other between territories, nations and countries. As Sun Tai-qing has mentioned, globalization is an inevitable trend of history [3].

Yu Zheng-liang defines globalization from the economic perspective and claims that globalization is just economic globalization, which is global economic integration [4]. Through globalization, production factors are rationally allocated; the international division of labor is improved, and so is the efficiency of the market mechanism, as a

result of which, economic growth is promoted, and people's standard of living is also improved. From the perspective of the impact and function of economic globalization, Jeffrey Sachs holds the perception that the occurrence and development of economic globalization make great changes to the world; namely, not only has it promoted the rapid growth of world economy and the steady development of macro economy in the world market, but also changed the global situation of income distribution, which consequently makes the international political situation change as well [5].

Anthony Giddens, however, summarizes the connotation of the economic globalization in two aspects. For one thing, economic globalization shows a universal process of development, and its occurrence and development make the correlations of countries and regions more diversified; for another, its occurrence and development have intensified the interrelation, interplay and interdependence of nations, countries and regions [6].

Mike Featherstone defines globalization from the cultural perspective, implying that the expansion of the cultural interconnection should also be included in the process of globalization [7]. Bing Zheng thinks that globalization is nothing but the integration, interconnection and interdependence of human society [8].

There are other scholars defining globalization from the perspective of the development and change of the productivity, relations of production and mode of production of capitalism. Arif Dirlik regards economic globalization as global capitalism [9]. In the historical process of economic globalization, production, trade and capital as well as science and technology and the relations of production of capitalism

develop with such freedom in the world market that the politics, economy and culture of capitalism has permeated every corner of the world. Leslie Sklair holds the opinion that economic globalization refers to the worldwide spread and development of the economic system with the core of the capitalist mode of production [10]. As Su Jing-xiang points out, the trend of globalization of the world economy is not something new, and the essence of globalization is the world wide spread of the capitalism [11].

In conclusion, globalization should be defined as a necessary phase of the process of human development, covering all aspects of the politics, the economy and the legal system as well as the production, life and the culture. This thesis discusses mainly from the perspective of economic globalization that economic globalization mainly contains the globalization of allocation of resources and the globalization of production as well as the globalization of markets.

Causes of Globalization

Adam Smith has elaborated the theory of absolute advantage, and he thinks that all the social economic entities are supposed to realize the division of labor according to their own special features, specialize their production and then trade in the market, as a result of which, the social welfare generally realizes its maximization [12]. Obviously, where the trading activity takes place abroad, there appears the global division of labor and the global trade.

David Ricardo (1817)'s theory of absolute advantage is based on the *Labor Theory of Value*. The difference in labor productivity cannot be the same among all products, so before the both sides of a business make a profit, they should deal with specialized division of labor and international trade according to the principles of both profit

maximization and loss minimization [13]. It also suggests the fact that globalization is a necessary trend for the existence of difference in labor productivity.

Both EF Heckscher [14] and Ohlin [15] have illustrated the Heckscher-Ohlin Theory. Because every country has its own unique endowments of production factors, it will eventually tend to export the goods produced from its abundant kind of production factors and import those goods produced from its scarce kind of production factors. Even if there is no difference in capital and labor productivity between two countries, there remains difference in cost, which directly causes occurrence of the trade.

Ever since the 1990s, globalization, or economic globalization has developed to a greater degree than ever before. So, what is the reason why it has developed so rapidly? According to Zou Yu-xuan and Lin Zhan-ping, the rapid changes in the international politics accounts for the acceleration of the process of globalization; the key basis is the development of new technological revolution; the main carrier of global expansion is the international companies; the key factor is the sustainable development and self-perfection of international economic organizations; the catalyst is the worldwide trends of the economic regionalization and collectivization; the important guarantee is the extensive participation of national governments[16].

To sum up, the main cause of globalization is that the international division of labor generates the international trade, which promotes the development of worldwide economy and consequently promotes the process of all the countries' participation in globalization.

Advantages and Disadvantages of Globalization

The rapid development of economic

globalization has both advantages and disadvantages.

To begin with, the analysis of the advantages of globalization is as follows.

Yu Mao-rong and Qu Jian-zhong has pointed out the positive effects of globalization, which are mainly as follows. It makes for the worldwide most optimum distribution of resources; it helps to expand the total output of the world and stimulate the rapid economic growth; it is in favor of the acceleration of the worldwide adjustment of industrial structure [17]. While Wen Jun and Mei Jin-ping have analyzed the opportunities brought by economic globalization for the developing countries. It makes up for the shortfalls of capital and foreign exchange; it promotes the technical progress; it has the advanced managerial experience learned; it increases the employment, taxation, wealth and so on[18].

Then it comes to the disadvantages of globalization.

Yu Mao-rong and Qu Jian-zhong has pointed out the fact that the negative effects of economic globalization are mainly as follows. It intensifies the instability of the world economy; state economic sovereignty is impacted; the existing gap between the rich and the poor is becoming wider. While Wen Jun and Mei Jin-ping hold the view that the challenges brought by economic globalization for the developing countries are mainly that the national industry has been restricted, that the debt burden becomes increasingly heavy, and that the gap between the rich and the poor countries is increasingly widened.

According to the above, we can draw conclusions that globalization has both advantages and disadvantages and that how to draw on the advantages and avoid the

disadvantages in the process of globalization is an issue which every country has to face.

Current Situation of Globalization in China

China's Four Stages of Globalization

So far, China's globalization has gone through four stages, which are as follows.

The first stage is from 1978 to 1992, namely from Third Plenary Session of the 11th Central Committee of the Chinese Communist Party to the eve of Deng Xiaoping's 1992 southern tour. This stage mainly consists of making experiments on the special economic zones, opening coastal cities up to a further degree, further expanding the coastal open regions and exploiting and opening up the Pudong New District of Shanghai as well as vigorously attracting foreign investments and bringing in foreign advanced technologies to rapidly develop China's economy and improve people's living standard.

The second one is from Deng Xiaoping's 1992 southern tour to the eve of China's participation in the WTO in 2001. In this stage, littoral, riparian and inland provincial capital cities were completely opened, resulting in a new, multi-level and all-round pattern of opening up littoral, riparian and inland regions. At the same time, Those trades which the foreign merchants used to be forbidden or limited to invest were opened and pilot, such as the financial insurance, the tourism, the real estate and so on. In the meantime, China lowered the tariff on 3371 kinds of imported products and cancelled the import regulatory tax, which promoted the development of foreign trade.

The third one is from China's participation in the WTO to the eve of the execution of the Belt and Road Initiative. To meet the requirements of the WTO, China began the

deeper-seated and wider-ranging opening-up and its reform of the economic system in an effort to intensify the convenience of trade and investment. There were numerous non-tariff measures, such as letting go of the power to engage in foreign trades, sharply reducing tariff and cancelling the import quotas. Service industries of the finance, the business and the telecom were increasingly open; the quality of making use of foreign investments also gained its improvement; the structure of imports and exports got nearer to its progressive optimization. Since China joined the WTO, its opening-up policy has turned institutional rather than policy-based. That is a high-level kind of opening-up, which embraces the following features.

- It is shifting from the previous market opening-up in a limited range and limited fields to an all-round kind of market opening-up.
- It is shifting from the previous, mainly unilateral self-opening-up to a two-way kind of opening-up between China and the other members of the WTO.
- It is shifting from the previous policy-based opening-up mainly relying on making experiments to a foreseeable kind of opening-up within the framework of the law [19].

The fourth stage is from the execution of the Belt and Road Initiative to now. One of the tasks in this stage is to deepen our domestic reform in all aspects by means of opening up to the outside world in an effort to make preparations for China's further harmony with the global economy with rules and regulations as well as growth momentum. The others are to fulfill the butt joint between the domestic economy and the international economy and to participate in and play a dominant role in making the global rules and regulations.

Table 1: China’s four stages of globalization

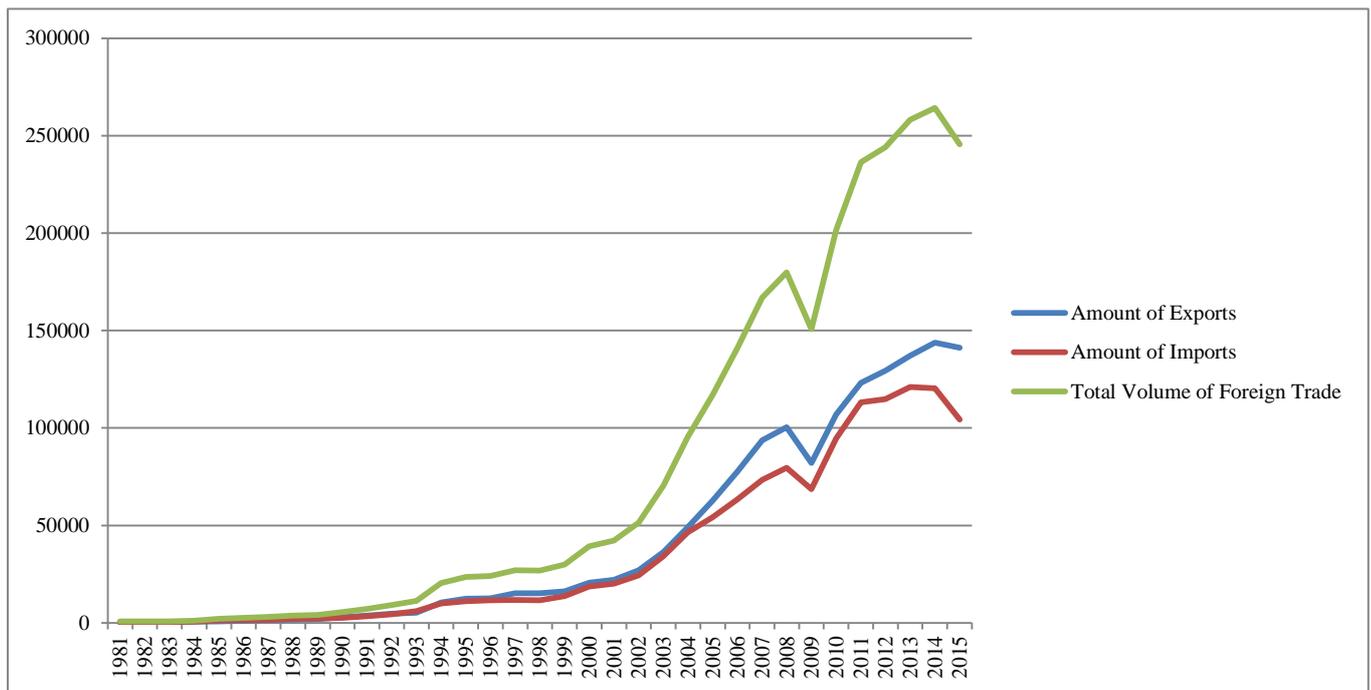
	Symbol	Main Modality	Goal	Achievement
First Stage	Third Plenary Session of the 11th Central Committee of the Chinese Communist Party	Foreign Trade	To bring in the Foreign Advanced Technologies and Overcome Poverty	Special Economic Zones
Second Stage	Deng Xiaoping’s Southern Tour	Introduction of Foreign Capital	To Make Up for the Lack of Fund and Fulfill Economic Transition	All-round Pattern of Opening to the Outside World
Third Stage	Participation in the WTO	Bring in and Going Out	Global Production and Industrial Diversification	The World’s Factory
Fourth Stage	The Belt and Road Initiative	Investments Abroad and Industrial Transfer	Industrial Upgrading and Optimization	Participation in and Domination of Making the Global Rules and Regulations

Development Status of China’s Foreign Trade

Growth of Imports and Exports

Judging from Fig. 1, China’s amount of exports in 1981 was 36.8 million RMB. By the year 2015, China’s amount of exports has reached up to 14.117 million RMB, which is about 384 times that in 1981. China’s amount of imports has also a large amount of growth. China’s amount of exports in 1981

was 36.8 million RMB, but its amount of imports in 2015 has reached up to 10.4366 million RMB, which is 284 times that in 1981. China’s total volume of foreign trade has increased from 73.6 million RMB in 1981 to 24.536 million RMB in 2015, and it has increased by 334 times during the 35 years. These figures above show how rapidly China’s total volume of foreign trade has grown.



Data Source: *China Statistical Yearbook 2015*, coordinated by myself. (Unit: a hundred million RMB)

Fig. 1: China’s value of foreign trade from 1981 to 2015

Improvement of the Quality of China's Foreign Trade

Ever since 1981, China's foreign trade has developed rapidly, and its quality has also achieved great improvement. The evidences are as follows.

- In China's export commodity structure, the proportion of primary exporting has sharply decreased, while that of manufactured goods is contrary. Export commodity structure is the important basis to measure a country's foreign trade structure situation. Export commodities can be classified as primary exporting and manufactured goods according to their additional value. Primary exporting is of low additional value and weak competitiveness in the international market, and it accounts for a relatively large proportion in an extensive foreign trade growth mode and a low-level domestic industrial structure. Instead,

- manufactured goods are of high additional value and competition ability, and it accounts for a relatively large proportion in an intensive foreign trade growth mode and a high-level domestic industrial structure.

According to Table 2, in 1980, the amount of primary exporting was 9.114 billion dollars, accounting for a proportion as high as 50.3% of the total export; that of manufactured goods was 9.005 billion dollars, accounting for a proportion as high as 49.7% of the total export. Namely, both of them accounted for a half and had equal shares. In 2014, the proportion of primary exporting reduced drastically to merely as low as 4.81% of the total export, while that of manufactured goods increased considerably to as high as 95.19% of the total export, which has greatly improved China's commodity export structure and increased China's competitiveness in the international market.

Table 2 Formation of China's exports from 1980 to 2014 (hundred million dollars or %)

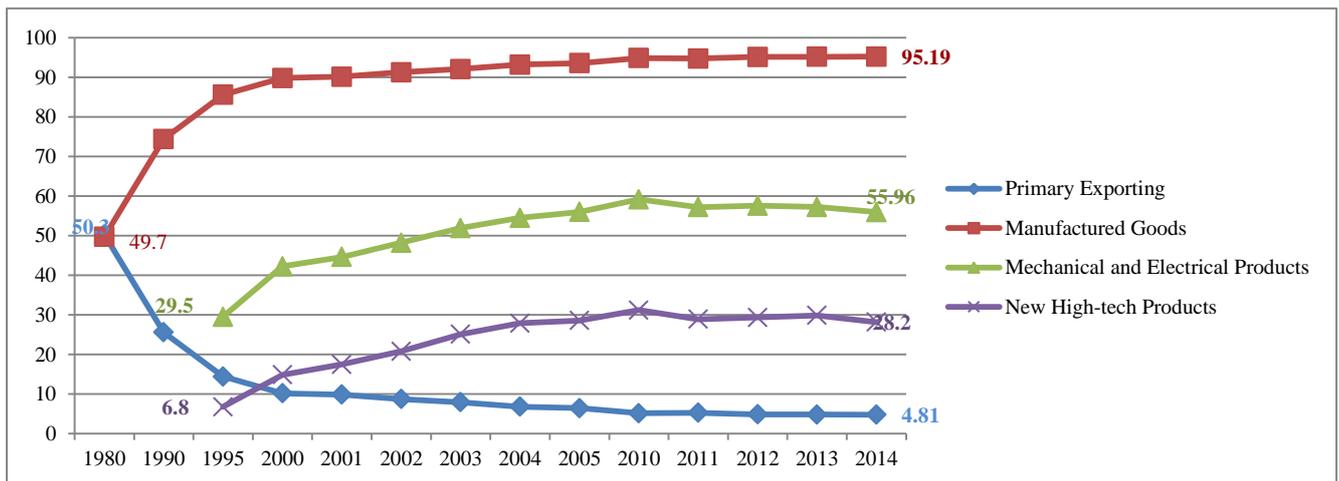
Year	Total Export	Primary Exporting		Manufactured Goods	
		Amount	Proportion	Amount	Proportion
1980	181.19	91.14	50.30	90.05	49.70
1985	273.50	138.28	50.56	135.22	49.44
1990	620.91	158.86	25.59	462.05	74.41
1991	718.43	161.45	22.47	556.98	77.53
1992	849.40	170.04	20.02	679.36	79.98
1993	917.44	166.66	18.17	750.78	81.83
1994	1210.06	197.08	16.29	1012.98	83.71
1995	1487.80	214.85	14.44	1272.95	85.56
1996	1510.48	219.25	14.52	1291.23	85.48
1997	1827.92	239.53	13.10	1588.39	86.90
1998	1837.09	204.89	11.15	1632.20	88.85
1999	1949.31	199.41	10.23	1749.90	89.77
2000	2492.03	254.60	10.22	2237.43	89.78
2001	2660.98	263.38	9.90	2397.60	90.10
2002	3255.96	285.40	8.77	2970.56	91.23
2003	4382.28	348.12	7.94	4034.16	92.06
2004	5933.26	405.49	6.83	5527.77	93.17
2005	7619.53	490.37	6.44	7129.16	93.56
2006	9689.36	529.19	5.46	9160.17	94.54

2007	12177.76	615.09	5.05	11562.67	94.95
2008	14306.93	779.57	5.45	13527.36	94.55
2009	12015.95	631.12	5.25	11384.83	94.75
2010	15777.55	816.86	5.18	14960.69	94.82
2011	18983.81	1005.45	5.30	17978.36	94.70
2012	20487.14	1005.58	4.90	19481.56	95.10
2013	22090.04	1072.68	4.86	21017.36	95.14
2014	23422.93	1126.92	4.81	22296.01	95.19

Data Source: *China Statistical Yearbook 2015*, coordinated by myself.

- The export proportions of both mechanical and electrical products and new high-tech products are generally on the rise. Among all the manufactured goods, the export proportions of both mechanical and electrical products and new high-tech products are generally on the rise despite particular years of declining. Comparatively speaking, the export

proportions of both mechanical and electrical products and new high-tech products in 2014 are apparently higher than that in 1995 as follows. The export proportion of mechanical and electrical products increased from 29.5% in 1995 to 55.96%, and the export proportion of new high-tech products increased from 6.8% in 1995 to 28.2% in 2014(see Fig. 2).



Data Source: the State Statistics Bureau, coordinated by myself.

Fig. 2 The Proportion of the Total Export That China’s Structure of Export Products Account For(%)

It can be told from the data above that China’s import and export trade is going through a process in which it is shifting from the primary commodity to high-grade commodity and from the labor-intensive products to the capital-intensive and technology-intensive products on the upgrade. China is shifting from the world’s manufacturing base and factory to the world’s innovation center.

Contributions of China’s Foreign Trade to Economic Development

The degree of foreign trade dependence

(FTD), also known as the foreign trade coefficient, is the proportion that a country’s total volume of foreign trade accounts for in its GDP. It reflects how countries rely on the international market and is an important indicator used to measure a country’s degree of opening to the outside world. Its computational formula is as follows.

$$FTD = \frac{IX}{GDP}$$

In this computational formula, the proportion that the total import (I) accounts for in the GDP is called the degree of import dependence(ID), which reflects the degree of

opening to the outside world of a country's market. Its computational formula is as follows.

$$ID = \frac{I}{GDP}$$

The proportion that the total export(X) accounts for in the GDP is called the degree of export dependence(XD), which reflects the degree of a country's economic dependence on foreign trade. Its computational formula is as follows.

$$XD = \frac{X}{GDP}$$

It can be told that from 1981 to the beginning of the twenty-first century, China's FTD has generally been on the rise regardless of some

fluctuations. This shows that since China's reform and opening-up, China's foreign trade has made great contributions to China's economic development, and China has been increasingly globalized with its competitiveness improving. China's economic development results from not only its own efforts but also the foreign capital, technology and market. It can be concluded that China's globalization has been evolving from a low level to a high level. China has made good use of international capital, market and technology to promote its domestic economic development at a high speed.

Table 2: China's FTD From 1981 to 2015(Unit: hundred million RMB)

Year	IX	X	I	GDP	XD	ID	FTD
1981	736	368	368	4,898	0.08	0.08	0.15
1982	772	414	358	5,333	0.08	0.07	0.15
1983	860	438	422	5,976	0.07	0.07	0.14
1984	1,201	581	620	7,226	0.08	0.09	0.17
1985	2,067	809	1,258	9,040	0.09	0.14	0.23
1986	2,580	1,082	1,498	10,309	0.10	0.15	0.25
1987	3,084	1,470	1,614	12,102	0.12	0.13	0.25
1988	3,822	1,767	2,055	15,101	0.12	0.14	0.26
1989	4,156	1,956	2,200	17,090	0.11	0.13	0.24
1990	5,560	2,986	2,574	18,774	0.16	0.14	0.30
1991	7,226	3,827	3,399	21,896	0.17	0.16	0.33
1992	9,119	4,676	4,443	27,068	0.17	0.16	0.33
1993	11,271	5,285	5,986	35,524	0.15	0.17	0.32
1994	20,382	10,422	9,960	48,460	0.22	0.21	0.43
1995	23,500	12,452	11,048	61,130	0.20	0.18	0.38
1996	24,133	12,576	11,557	71,572	0.18	0.16	0.34
1997	26,968	15,161	11,807	79,430	0.19	0.15	0.34
1998	26,850	15,224	11,626	84,884	0.18	0.14	0.32
1999	29,896	16,160	13,736	90,188	0.18	0.15	0.33
2000	39,273	20,634	18,639	99,776	0.21	0.19	0.40
2001	42,183	22,024	20,159	110,270	0.20	0.18	0.38
2002	51,378	26,948	24,430	121,002	0.22	0.20	0.42
2003	70,484	36,288	34,196	136,565	0.27	0.25	0.52
2004	95,539	49,103	46,436	160,714	0.31	0.29	0.60
2005	116,922	62,648	54,274	185,896	0.34	0.29	0.63
2006	140,975	77,598	63,377	217,657	0.36	0.29	0.65
2007	166,924	93,627	73,297	268,019	0.35	0.27	0.62
2008	179,922	100,395	79,527	316,752	0.32	0.25	0.57

2009	150,648	82,030	68,618	345,629	0.24	0.20	0.44
2010	201,723	107,023	94,700	408,903	0.26	0.23	0.49
2011	236,402	123,241	113,161	484,124	0.25	0.23	0.48
2012	244,160	129,359	114,801	534,123	0.24	0.21	0.45
2013	258,168	137,131	121,037	588,019	0.23	0.21	0.44
2014	264,242	143884	120,358	635,910	0.23	0.19	0.42
2015	245,536	141,170	104,366	676,700	0.21	0.15	0.36

Data Source: the State Statistics Bureau and the Customs, coordinated by myself.

Experience and Lessons of China's Globalization

From China's above-mentioned process of globalization and development status of the foreign trade, the experience which China has learnt can be resolved into the following three points.

Firstly, China has made full use of the international division of labor. By means of its policy of reform and opening-up, China has taken advantage of its labor force, seized the opportunity of international industrial transfer, brought in the foreign capital, technology and managerial experience, strove to develop the labor-intensive industry in an effort to promote China's employment, and developed the foreign trade to promote the high-speed economic development.

Secondly, China has stuck to orderly opening-up. In its process of economic globalization, China has stuck to the government leadership and orderly use of the foreign investment to develop its economy, and it has persisted in opening up the regions and the industrial fields with measured strokes, encouraging the industrial investment and limiting the speculative capital. First of all in China's process of economic globalization, China ran four pilot special economic zones, from which it obtained some experience, then opened up the 14 coastal cities and expanded the coastal open regions. Then, it exploited and opened up the Pudong New District of Shanghai and consequently opened up the littoral, riparian and inland regions completely. Step by step

and gradually, opening-up gains its expansion, attracting the foreign investment in an orderly manner. China's orderly opening-up has prevented China's market and industries from the impact of the foreign investment; in the meanwhile, the government has dominated the economic lifeline and grasped the control of economic development all the time. Additionally, it has raised its national industry, established its domestic industrial system and improved its global competitiveness, laying a firm foundation for further opening-up and China's harmony with the world economic system.

Thirdly, China has persisted in bringing in the technology and continuous learning, absorption and innovation. In China's process of bringing in the foreign investment, China has spared no effort to learn and absorb the advanced technologies and the managerial experience and been devoted to training various kinds of innovative talents and improving its innovation ability by means of bringing in, learning, absorbing and innovating. Through the continuous economic transition, the upgrading industry has instilled new vitality into the economy. Thus, the phenomena like Latin American Countries' middle-income trap are avoided. In the process of globalization, China has been pushing on to improve China's position and role in the international division of labor, which is reflected in the concrete evolution of China's position from a periphery country to a core country.

The lessons of the process of China's

globalization are mainly the following five points.

Firstly, China's innovation ability is poorer than that of the developed countries is; China is, or rather, a large trade nation instead of a powerful trade nation. There are numerous core technologies that China has not mastered and numerous technologies to bring in, and the additional value of export products remains low. The quality of those products needs improving, and the international famous-brand products are insufficient.

Secondly, though China is the second largest service trading nation in the world, its service export remains low-end, for the export of labor service is accounting for the very major proportion. For instance, the export of construction and transportation services is accounting for a considerable proportion, while the export of Intellectual services, such as the technology and software as well as culture, is still accounting for a relatively minor proportion.

Thirdly, China's investment in foreign countries remains in its infancy. Despite a large quantity of foreign exchange reserves, the majority of China's foreign exchange is used to indirect investment, the purchase of national debt and so on. There is only a small quantity of direct investment and low profit, and the majority of China's foreign exchange is devalued with the devaluation of the dollar.

Fourthly, China's foreign trade market is relatively single and sole. In most cases, China trades with the developed countries in Europe and America. Once they are caught in an economic crisis, China's economy will suffer a lot as well, and there is rather acute trade friction between the trade partners.

Fifthly, China is also exposed to "the sequela of industrialization." There is serious pollution in China's industrial cities due to the years of laying emphasis only on the economic growth and losing sight of the environmental protection. Additionally, overdevelopment has resulted in the rapid rise of land price and the continuous rise of labor cost as well as the imbalance of wealth gap between regions, between urban and rural areas and between industries.

Aiming at the experience and the lessons above, President Xi came up with the co-conjunction of the Silk Road Economic Belt on September 7, 2013. In Indonesia on October 3, 2013, he also came up with the co-conjunction of the 21st-Century Maritime Silk Road in an effort to realize China's opening wider to the outside world and China's active participation in the process of globalization, as a result of which, mutual benefits and win-win results come true by means of complementing each other's advantages with the countries along the 21st-Century Maritime Silk Road.

The Belt and Road Initiative

Connotation and Strategic Significance of the Belt and Road Initiative

The Belt and Road Initiative is proposed by China in order to promote the in-depth development of economic globalization, and it is a new mode of international and regional economic cooperation. Its core goal consists of promoting economic factors to circulate in a free, orderly manner, resources to be allocated efficiently and markets to deepen their fusion, facilitating carrying out broader, deeper, higher-level, regional cooperation and building with joint efforts a regional economic cooperation framework of openness and inclusiveness as well as balance and common benefits. The Belt and Road Initiative embraces the ideas of "peaceful cooperation, inclusive opening-up, mutual learning, mutual reference, mutual

benefits and win-win results”, which are completely different from the previous ideas of economic globalization [20].

The strategic significance of the Belt and Road Initiative is mainly reflected in the following five aspects.

The first aspect is to carry forward and pass on the spirit of the Silk Road and to turn China into a powerful trade nation. From Zhang Qian's Mission to the Western Regions over 2,100 years ago to Zheng He's Expedition over 600 years ago, both the land Silk Road and maritime Silk Road have acted as the accesses for the exports of China's silk, tea and porcelain and the oriental civilization as well as the Chinese people's friendship, winning the praise and love of the all nations. Nowadays, with China's economy rising rapidly and sharply, as a great manufacturing country, China is capable of not only exporting the first-rate, inexpensive goods of all kinds, but also providing its technology and equipment for the world. As the world's main, great power of foreign exchange reserves, China can also deal with the financial risk along with other countries and provide the opportunities of construction and development for the countries in need of funds as well as add the times connotations of peace, openness, inclusiveness, mutual trust and mutual benefit to the ancient spirit of the Silk Road [21].

The second one is to expand China's overseas market. The core ideas of the Silk Road Economic Belt are to strengthen the economic and trade cooperation with Center Asia and Southeast Asia and to build up a transportation network which can gradually connect Eastern Europe, Western Asia and Southeast Asia and provide convenience for the concerned countries' economic development and personnel come-and-go (Xia [22]).

These ideas require China should give great play to the positive roles of the SCO and the CAFTA in promoting multilateral cooperation and strengthen the interconnectivity and the two-way complement of advantages as well as mutual development and mutual benefits. Additionally, China is required to make efforts to exploit China's overseas markets and look for China's new economic growth point as well as benefit the people of all the countries in the concerned region.

The third one is to create more opportunities for Chinese enterprises to invest overseas. By means of the construction of the Belt and Road Initiative, to strengthen China's economic relation with the countries in the region can fulfill the functions of creating more commercial opportunities for Chinese enterprises to go out and encouraging the qualified enterprises to shift from export trade to investments abroad as well as turning China into a powerful trade nation instead of a large trade nation and intensifying China's harmony with the global economy.

The fourth one is to help the central and western regions of China to quicken their opening-up. The execution of strategies of both development of western China and rise of central China began after 2000, later than that of the coastal area in eastern China. Additionally, their slow economic development still has a far cry from that of eastern China. By means of the construction of the Silk Road Economic Belt, the opening-up of western China can be facilitated and instill new energy into central and western China's economic growth.

The last one is to promote eastern China's industrial transformation and upgrade in an effort to improve China's innovation ability. After over 30 years' taking the lead in opening to the outside world, eastern China

has formed an export-oriented growth pattern which is driven by trade. At present, eastern China has accumulated and centralized numerous capital and talents as well as the advanced technology and equipment, and the enterprises here are confronted with a new stage of structural transformation of the economy and ever-quicken development of global business. By means of the construction of the Belt and Road Initiative, eastern China can improve its innovation ability and lay emphasis on the development of the capital-intensive and technology-intensive industries as well as strive to develop its service trade [23].

Opportunities Brought by the Belt and Road Initiative

The opportunities brought by the Belt and Road Initiative mainly consist of the following four aspects.

The first one is the opportunity for infrastructure development.

Along the Belt and Road there are mainly emerging markets and developing entities, whose economic development is on the rise and has delayed, powerful advantages. However, they are in sore need of the solutions to the severe scarcity of infrastructures, such as traffic, electricity and communication. As the Asian Development Bank has estimated, the regions concerned with the Belt and Road has been programming a large quantity of the infrastructure construction of Cross-border railways, highways, air routes, oil and gas pipelines and communication cables, such as the Eurasian High-speed Railway, China-Central Asia Natural Gas Pipeline, Sino-Russian Electric Information Channels and so on. The demand for infrastructure investment in the following ten years will reach up to 8 trillion dollars, which will provide China with good opportunity for infrastructure development.

The second one is the opportunity for economic and trade cooperation.

From 1990 to 2003, as the sixty-five Belt and Road countries or regions go, the average annual growth rate of their trade was 13.1%, which is higher than the reported global average by 5.3%, and that of their investment was 16.5%, which is higher than the reported global average by 6.8%. Ever since 1995, China's value of import and export has maintained its rapid growth. For example, the compound growth rates of China's trades with the nations in Central Asia, the gulf and South Asia are respectively 26%, 25% and 21%. In 2014, though China's growth of import and export was only 2.3% that year, the growth of China's amount of exports to the countries and regions along the Belt and Road was even more than 10%, and its bilateral trade volume of import and export was closed to 7 trillion RMB, which accounted for about a quarter of the total value of China's export and import trade in the corresponding year. This show that the potential of trade along the Belt and Road is so great that it may change the fact that China's foreign trade market is relatively single and sole.

According to the data from the Commerce Department, China has established 77 economic and trade cooperation zones along the Belt and Road. With the full execution of the Belt and Road Initiative in 2015, China has been devoted to establish the Central Economic Corridor and the New Eurasian Land Bridge Economic Corridor as well as the Sino-Iran-Turkish Economic Corridor and the BCIM Economic Corridor. By means of establishing economic and trade cooperation zones and economic cooperation platforms, China will change the traditional cooperation mode with the other developing countries, which will generate a lot of industrial transfer, park construction,

cross-border investment, trade settlement, currency circulation and their related service demands, which will create much more opportunities of economic and trade cooperation for the countries along the Belt and Road.

The third one is the opportunity of investment and financing.

The areas concerned with the Belt and Road Initiative need numerous external sources of finance. As a relevant expert has estimated, by 2040, the newly-added funds will have reached 100 trillion dollars, of which there will be 18.5 trillion dollars coming from credit funds and international capital market financing [24]. In order to boost the construction of the Belt and Road Initiative, China has programmed and established a series of supporting financial institutions, such as the AIIB, the Silk Road Fund and the BRICS Bank, which will change the fact that China's investments abroad are mainly indirect investments.

The fourth one is the opportunity for the RMB internationalization.

The Belt and Road Initiative is capable of bringing new motive force of development to the RMB internationalization. As numerous Chinese enterprises and investments go out, RMB will gain its recognition in the areas concerned with the Belt and Road Initiative, which will make contributions to forming "the sphere of RMB" along the longest economic corridor in the world. China has signed bilateral currency swap agreement with the central banks of the countries along the Belt and Road to exploit cross-border financial transactions pipelines. Among the fourteen clearing banks of renminbi there are seven ones along the Belt and Road, and they will strongly support renminbi to become the regional currency for valuation, settlement and investment. By means of

infrastructure construction and establishing industrial parks and free trade areas, China is capable of setting up a financial system along the Silk Road Economic Belt where renminbi is the main currency for settlement, credit and direct investment so that the range of application of renminbi is expanded along the Belt and Road.

Risks Brought by the Belt and Road Initiative

So far, the Belt and Road Initiative has obtained numerous real achievements, in the process of which, however, there are numerous risks. They are as follows.

The first risk is the economic risk.

- The risk of debtor nations' default. The majority of investment environments along the Belt and Road are inferior to China and the developed countries in Europe and America. Some of the participant countries have the current account with a large amount of deficit, poor economic fundamentals and the high risk of default. If a debtor nation is unable to pay back its bank loans, failure of the project to recoup the capital outlay will make China's economy suffer from the extra pressure [25].
- The risk of bubblization of the project. According to the relevant research on China's provincial government work reports in "the two sessions" in 2015, the total amount of investment project of the capital construction concerning the Belt and Road Initiative has reached over one trillion RMB. The project still mainly consists of railways, highways and machinery, which accounted for 68.8% of the total investment. Excessive enthusiasm for investment and overlarge amount of investment are bound to bring an extremely high investment risk (The National Development and Reform Commission, Ministry of Foreign Affairs,

and Ministry of Commerce of the People's Republic of China, 2015) [26].

- Trade protectionism is extreme and severe. The countries and regions along the Belt and Road are diverse, but numerous nations keep extremely severe trade protectionism. For example, the imports and exports of Kazakhstan, Uzbekistan, Tajikistan and Kyrgyzstan require dozens of documents, and it takes a few months to complete the export formalities. Besides, some countries regard China as their competitor and frequently launch anti-dumping and anti-subsidy investigation aimed at China. India is not only a populous nation of subzone along the Belt and Road, but also the very nation which has launched more anti-dumping charges aimed at China than any other developing country has [27].
- The financial system is weak. At present, along the Belt and Road there are numerous countries with a high proportion of non-performing loans and great exchange rate fluctuation. Without the guarantee of a relatively stable monetary system, all the conceptions will be in vain (Wang Min, Chai Qing-shan, Wang Yong, Liu Rui-na, Zhou Qiao-yun, Jia Yu-zhe, and Zhang Li-li).
- Competition and industry transfer may have negative effects on China's economy [28]. Along the Belt and Road there are numerous countries, some of which have complementary trades with China, while the others' industrial structures are similar to China's, so they may be China's competitors in the international market. In addition to exploiting markets for China's products, the construction has also strengthened the competitiveness of the other countries along the Belt and Road, and the international market space of China's products is likely to be reduced by

the other countries' lower cost of production. Though the construction of the Belt and Road is capable of promoting Chinese enterprises to "go out", China's domestic economy may be trapped into industry hollowing without the domestic industrial restructuring.

The second one is the political risk.

- Disagreement with some countries' strategies. In the layout of the Belt and Road Initiative, besides China there are various nations with their own national strategies based on their various demands, which are even concerned with the issue of strategic interests of some nations beyond the Belt and Road. Hence, China's national strategy may conflict or compete with their national interests and strategies to some extent, even with the national interests and strategies of great powers [29].
- The political changes of the countries along the Belt and Road. It will bring some difficulties to the economic cooperation in the future that some countries along the Belt and Road are in the process of their political transition, after which there will be uncertainty about the future tendency of government, even about their regimes [30].

The third one is the security risk. In the process of promoting the regional economic cooperation, the Belt and Road Initiative is confronted with great, double security risks, which contain the traditional security risk (such as the geopolitical conflicts between the great powers, the territorial and island disputes and the political unrest of some intra-regional countries) and the non-traditional security risk (such as terrorism, network security, energy security, food security, climate change, and serious infectious diseases). The promotion of the Belt and Road Initiative is confronted with an extremely complex security environment [31].

Constructional Strategies for the Belt and Road Initiative

To Strengthen the Communication and Cooperation between the Governments

The government acts as the role of a leader and organizer in the construction of the Belt and Road Initiative, and its functions should not be ignored. Its main function is the provision of public goods to provide the guarantees of system and infrastructure for the construction of the Belt and Road Initiative (Huang He, 2015)[32]. First of all, the government is capable of signing an agreement on protections of trade and investment, reducing or exempting each other's customs duty, opening markets to each other, enlarging the fields of investment, giving national treatment to the foreign investment enterprises, avoiding double taxation, and maintaining the market environment of fair competition. Additionally, by means of the international cooperative mechanisms, such as the APEC, the CICA, the SCO, the CAFTA, the FTAAP and the ASEM, the government can strengthen the communication and coordination, actively promote the rules of trade and investment to shift from bilateralism to multilateralism, build a consensus, resolve contradictions, and promote the liberalization and facilitation of regional investment and trade.

The government can also establish the public information service platform and provide the key national and regional information about investment and trade and the early warning of the risks. Infrastructure construction is not only an important hardware assurance for the Belt and Road Initiative, but also national governments' key cooperation field. To construct the complete infrastructure of convenient transportations, communications and energies will create favorable conditions for investment and trade and promote the wholly regional common prosperity.

To Give Full Play to the Dominant Role of the Enterprises in the Markets

As the main body and carrier of the market, the enterprises are supposed to stick to scientific and technological innovation, master the core techniques, optimize their allocation of resources according to the division of the global economic labor, rationally distribute the global industrial chain and actively cooperate with the enterprises of the countries and regions along the Belt and Road in an effort to complement each other's advantages and realize mutual benefits and win-win results [33]. In the process of exploiting the overseas markets, the enterprises ought to pay attention to the investment risk and stick to the prudent strategy and operation as well as avoid seeking quick success and instant benefits and craving for greatness and success. What's more, the enterprises should observe the laws and regulations of the host country, respect the religious beliefs and customs of the host country, protect the workers' legitimate rights and interests, undertake their social responsibility of protecting the environment and bring benefit to the local society in the process of making a profit [34].

To Strengthen the Non-governmental Exchanges and Promote the Social Friendship

The regional, non-governmental exchanges should be strengthened, including cultural exchange and educational exchange as well as scientific and technological exchange and tourist communication and so on. For example, a few special cultural exchange programs should be established with the exchange visits between literature and art and physical education; the Confucius Institute can be set up in the Belt and Road nations; the government can set up a scholarship in support of the students' studying in China from the countries and

regions along the Belt and Road; the scientific and technical personnel's exchange visits and scientific researches can be subsidized in an effort to jointly solve the problems in the process of the construction of the Belt and Road Initiative; to host tourist years and tour and to recommend some tourist and sightseeing projects to each other can also strengthen the non-governmental exchanges and promote the social friendship [35].

To Develop the Mutually Beneficial Trade and Promote People's Well-being

The Belt and Road countries and regions have their various comparative advantages, competitive industries and featured products. By means of the mutually beneficial trade, they can promote the division of labor based on specialization, raise their labor productivity, lower the cost, improve their product quality, enrich varieties and designs and improve the people's benefit level. Hence, the condition of customs clearance at the border ports should be improved, and the cost of customs clearance should be lower so that the ability of customs clearance can be improved.

Besides, they can explore and establish regional free trade zones and promote the construction of the cross-border, free trade zones; they can broaden the fields of their trade and optimize the structure of their trade as well as innovate the mode of their trade [36].

To Broaden the Investment Channels and Facilitate the Economic Growth

Investment is an important way to realize the win-win result of the regional economic cooperation. Due to the lack of money, some Belt and Road countries and regions have poor infrastructures and slow economic

development, while China possesses a large quantity of foreign exchange reserves and some core technologies that lead the world. Therefore, China can provide development funds and advanced technologies for the Belt and Road countries and regions and promote the economic co-prosperity by means of investments abroad. For instance, China can encourage the investments abroad in the projects of nuclear power, high-speed rail and so on. so that the competitive industries can promote the traditional industries to go abroad. National governments are supposed to spare no effort to optimize the investment environments, enlarge their fields of investment, explore the new cooperation models of investment, strengthen their economic cooperation, bring their own superiority into full play and realize the mutual benefits and win-win results.

To Set up the Mechanism of Financial Mutual Support and Prevent the Financial Risks

A moderate financial system is an important guarantee to construct the Belt and Road Initiative. First of all, the international financial institutions, such as the AIIB, the Silk Road Foundation and the Development Bank of BRICS, are supposed to fulfill their functions of establishing a financial stability facility, helping the Belt and Road countries and regions to keep the balance of international payment, preventing or reducing the debt default, stabilizing the exchange rates and maintaining the regional financial stability. Secondly, a pre-warning mechanism of risks should be established to strengthen the supervision and pay close attention to the changes in the international financial market. National governments should cooperate in preventing the potential financial risks.

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