Challenges and Countermeasures of China’s Economic Development under the Background of "One Belt One Road"

HUI LU

ABSTRACT

"One Belt One Road " is a new type of open strategy for China’s entering a new normal state to promote sustainable economic development, which embodies the top Chinese design wisdom of "open to promote reform, reform to promote development, development to promote transformation". Opening to the outside world provides the excess capacity to release the channel and the power to optimize industrial structure. However, its own investment in the low efficiency, economic security threats and further structural economic imbalance will make the construction of "One Belt One Road" face more challenges. Therefore, this paper systematically analyses the situation of China's economic development to refine the challenges of China's economic development under the background of "One Belt One Road", and gives corresponding countermeasures to help China to formulate feasible macroeconomic plans.

KEYWORDS

One Belt One Road, China’s Economic Development, Challenges, Countermeasures.

INTRODUCTION

Silk Road Economic Zone and the 21st century Maritime Silk Road have accelerated the pace of building economic and trade cooperation between China and neighboring countries, and the "One Belt One Road" strategy is to improve the international cooperation framework to achieve the necessary part of the Asia-Pacific economic prosperity. However, the problem that "One Belt One Road" strategy is inadvisable with the international economic rules is increasingly prominent. We can see that if we want to fulfill the strategy of "One Belt One Road" effectively to help our country playing a huge role in the international economic arena. We must explore the challenges of China's Economic Development under the Background of "One Belt One Road", and then propose targeted countermeasures to promote China's economy.

At present, China's scholars focus on the strategic connotation, meaning and policy interpretation and so on of "One Belt One Road". The main points are as follows: Bai Yongxiu (2014) divided the Silk Road economic zone into three parts such as the core, the expansion, and the radiation zone; Chen Yao (2016) put forward six connotations of "One Belt One Road "; Zhang Mu Nan (2016) discusses the difficulties that "One Belt One Road" strategy facing; Luo Yuze (2017) analyzed the implementation background and challenges of "One Belt One Road" strategy; Liu Weeding (2017)
analyzed the opportunities to China’s industry brought by "One Belt One Road" strategy. However, the study about challenges and countermeasures of China’s Economic Development under the Background of "One Belt One Road" is few, so we seize this research blank to provide scientific advice for our country’s better development.

**CHINA'S ECONOMIC DEVELOPMENT UNDER THE BACKGROUND OF "ONE BELT ONE ROAD"**

**Summary of Relevant Economic Policies**

The total population of "One Belt One Road" is about 4.4 billion people and the total economic output is about 21 trillion US dollars, which accounts for about 63% and 29% of the world. Since 1978, China has experienced four times climax to promote economic reform, this article summarized as shown in Table 1.

In September 2013, when President Xi Jinping visited Kazakhstan, he put forward the idea of "Silk Road Economic Zone". In October 2013, the President Xi visited the ASEAN countries to put forward the idea of "Maritime Silk Road". In November 2014, the Asian Infrastructure Investment Bank and Silk Road Fund were established. In October 2015, the college strategic alliance was set up. The first batch of Chinese enterprises visited Pakistan to start the CMB theme documentary named "Pakistani" in 2016. In May 2017, China held the international summit to establish a long-term stable high-level dialogue platform in Beijing.

**An Analysis of China's Economic Investment**

At present, China has become the country of world's second-largest economy, the largest trade exporter and the third largest foreign investment. However, in the current international economic situation, China's foreign investment is facing a serious dilemma. On the one hand, China is facing with the oppressive competition of the developed countries and the challenging competition of the newl developed economies. On the other hand, the "re-industrialization" of developed countries and the return of high-end industries have led to the double-closing structure of the high-end industrial value chain in the developed countries, and the low-end industrial value chain in the developed countries.

**TABLE 1. FOUR OPEN ECONOMIC STRATEGIES.**

<table>
<thead>
<tr>
<th>Time</th>
<th>Form and logo</th>
<th>Goals and content</th>
<th>Major achievements</th>
</tr>
</thead>
<tbody>
<tr>
<td>First</td>
<td>1978-1991, Foreign trade:</td>
<td>solve poverty</td>
<td>Special Economic Zone</td>
</tr>
<tr>
<td>Second</td>
<td>1992-2000, The introduction of</td>
<td>promote an economic</td>
<td>All-around open pattern</td>
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<td></td>
<td>foreign investment</td>
<td>transition</td>
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<tr>
<td>Third</td>
<td>2001-2012, join the WTO</td>
<td>industrial diversification</td>
<td>World processing plant</td>
</tr>
<tr>
<td>Fourth</td>
<td>2013- &quot;One Belt One Road&quot;</td>
<td>Foreign investment</td>
<td>Dominate global rules</td>
</tr>
</tbody>
</table>
Fig. 1. China's foreign direct investment based on countries.
We can see from the figure that China to Europe’s direct investment is higher than other countries but declines to 711,843 ten thousand dollars in 2016. While the direct investment to Singapore grows up sharply in recent years. The investment to South Korea, South Africa, Vietnam, Thailand and Indonesia is much lower than the top three countries. Which explains that there are some difficulties for China’s foreign direct investment. China’s investment in mining industry declines 54% comparing to 2014. While Financial Industry's investment grows 75% compared to 2012. The investment in education is the smallest one, which shows that our China's foreign direct investment in different industries has a huge disparity.

CHINA’S INVESTMENT AND ENGINEERING CONTRACT DATA FOR COUNTRIES ALONG THE ROUTE

In 2016, China's enterprises’ non-financial direct investment growth of “One Belt One Road” is 32%. At the end of 2016, China's foreign contracted engineering business signed a total of 244.01 billion dollars’ contract and complete the turnover of 159.42 billion dollars. According to UNCTAD statistics, China’s "Maritime Silk Road" trade potential increased year by year, the average annual growth rate can reach 16.37%. 
GOODS IMPORT AND EXPORT CLASSIFICATION AMOUNT DATA (ACCORDING TO SITC CLASSIFICATION)

Fig. 3. China’s investment and engineering contract data along the country.

Fig 4. Export classification amount data.
We can see from the data that export is mainly on manufactured goods and machinery & transport equipment, about 10% on miscellaneous. At the same time import is mainly on manufactured goods, the number of primary products and machinery & transport equipment is nearly equal. We can see obviously that there exists a big difference in import and export, and the remaining resources of our country have not been fully utilized.

THE CHALLENGE FACED BY CHINA'S ECONOMY UNDER THE BACKGROUND OF "ONE BELT ONE ROAD"

Financial Risk

Poor investment efficiency is a problem that any economic decision will face, especially the "One Belt One Road" project which is such a huge investment. The projects own investment rate of return is low, especially there is a huge investment in the area of infrastructure, whose construction itself requires a longer return on investment. Coupled with the international economic downturn which has a deep influence on “One Belt One Road”. This also leads to a longer investment cycle and intensified return uncertainty.

China tries to adjust the economic structure, whether the road to transfer or investment, it seems to solve problems on the surface side, but when studying deeply we can find that the former will increase transportation costs and the latter will be likely to further stimulate the domestic excess capacity enterprises to continue to increase investment, which will increase the problem of excess capacity. Our country doesn’t lack the opportunities for investment’s development, what we lack is the ability to make rational use of opportunities to achieve revolutionary change. So we cannot let “One Belt One Road” evolved into a channel for China’s enterprises to seek short-term breakout, it should be an important platform to achieve industrial restructuring.
**Political Risk**

Firstly, the world's major high-risk countries are located in the "One Belt One Road", these countries are different in the economic system, institutional arrangements, cultural characteristics, living habits, religious beliefs and etc. It's difficult for our country to coordinate with so many countries.

Secondly, some countries are unstable and horrifying, which makes the investment environment facing major challenges leading to a lower return on investment, and even affecting the domestic economic security.

Thirdly, although the countries along the road provide sovereignty to do the guarantee, the default cost of the investee is obviously lower than the default cost of the country and the guarantee itself has uncertainty, so it is difficult to protect our investment security.

Lastly, the deliberately challenge risk of the US and other countries. America, Japan, Russia, India and other countries who are dominant country in economy, politics, and population, they don't wish China to lead the smooth development of the regional economic integration process. Such as the United States may manipulate the rating agencies to affect sub-investment bank financing capacity, India may launch "Made in India" and Russia hopes to lead the Eurasian Economic Union. Even now the developed countries perform positively, but we cannot rule out the future direction of the development of ADB.

**THE COUNTERMEASURE OF CHINA'S ECONOMIC DEVELOPMENT UNDER THE BACKGROUND OF "ONE BELT ONE ROAD"**

**Strengthen the Importance of China 'S Economic Security**

Economic security issues in China may seem more important, many scholars' studies of China's international economic process have repeatedly referred to the issue of national economic security. "One Belt One Road" strategy is an economic strategic planning under the guidance of our country, but it cannot ignore the existence of the economic security. "One Belt One Road" strategy involves more areas, more countries, more complex economic problems, so we need to formulate more actually economic strategy to deal with the hidden security problems. China should track the movement of the cooperate countries and find out their political intentions to draft detailed provisions about international security in order to maintain China's economy into a better development.

**Speed up the Process of RMB’s Internationalization to Promote the Financial and Economics’ Development**

The improvement of the internationalization of RMB is conducive to the establishment of international financial institutions, which will promote the development of financial services trade. With the reform of China's financial market, the financial institutions' restrictions in market access, business scope are reducing, and more foreign banks will enter the Chinese market. Therefore, China must speed up the process of RMB’s internationalization with the help of “One Belt One Road” strategy, this is conducive to promoting China's financial market reform and improvement. China
should vigorously encourage domestic banks and provide financial support for cross-border trade and investment to promote the Chinese bank business to “Go out”.

**Promote Regional Economics’ Restructuring**

"One Belt One Road" is not the channel for excess capacity’s transfer, if we transfer the internal structural imbalance from internal to external, this is a short sight. The core point is to change our traditional economic development fundamentally and adjust the industrial structure to achieve economic transition. The "One Belt One Road" strategy can provide a broader international market and investment opportunities, which is a good opportunity for adjustment of China’s Economic Structure. We should cooperate closely with neighboring countries to dig market opportunity and adjust the investment pattern and economic structure. China should make full use of our excess production factors to promote faster economic development based on the introduction of foreign capital and new technology.

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