

# Accelerate the Construction of the "One belt, One road" Trade Agreement Framework

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**Abstract.** Most countries along the "one belt, one road" signed relevant trade agreements and set up several free trade areas to facilitate trade. Under these trade agreements, it is necessary for us to make new adjustments to the trade pattern of the "one belt, one road". The construction of the "one belt, one road" trade agreement framework will promote orderly and free flow of economic elements, efficient allocation of resources and deep market integration. When focusing on the design of new framework, we will encounter lots of challenges such as conflicts of interests, differences in legal systems and trade barriers. We should actively respond to these challenges and find out corresponding countermeasures. By constructing the new framework, countries can achieve a win-win situation and "one belt, one road" will become a new global growth engine.

## 1. Introduction

In 2013, China put forward the "one belt, one road" initiative, borrowing the historical symbols of the ancient Silk Road and integrating into new connotation. It not only safeguards the open world economic system, but also deepens regional cooperation.

There are tariff and non-tariff barriers and higher social risks along the "one belt, one road" economy. These will become obstacles for China to strengthen economic and trade ties with the "one belt, one road" economy. The establishment of a free trade area can reduce and break down trade barriers to enhance trade facilitation, speed up regional economic integration and provide strong support for the "one belt, one road". There are 66 FTA agreements signed by the countries along the Belt and Road and 75 agreements signed with other regions. At present, the Chinese government is speeding up the negotiations on the free trade agreement with the countries along the belt. On the basis of the 4 agreements, 7 agreements have been negotiated and 6 agreements have been studied, and plans to negotiate with more countries.

Therefore, it is necessary to construct the framework of the "one belt, one road" trade agreement. By analyzing the significance and challenges faced by the "one belt, one road" trade agreement, this paper puts forward proposal for the construction of the "one belt, one road" trade agreement framework.

## 2. The Significance of Constructing the Framework of the "One belt, One road" Trade Agreement

In the countries along "one belt, one road", trade between China and ASEAN and South Asian countries is much more, while trade cooperation with other countries is relatively weak. The analysis shows that most of these countries are in low economic level. But it is undeniable that these countries have relatively large trade potential. Therefore, China has great potential in trade cooperation with countries with low level of economic development along the line. Especially in countries with low level of development, import demand is relatively strong.

Close trade cooperation often exists between geographically adjacent countries. Trade with China, such as China, has been involved in the vast majority of countries along the belt and road. However, geographical factors are still one of the important factors that affect trade balance among

countries. Countries with more frequent trade and larger volume of trade with China mainly include countries such as Malaysia, Vietnam, Thailand, Singapore and Indonesia.

Although the “one belt, one road” is dominated by developing countries, and the level of economic development of some countries is affected by various factors, relatively weak, but in recent years, the overall economic growth rate of all countries has accelerated, and the economic scale has played a more obvious role in promoting the trade.

### **3. The Challenges of Constructing the “One belt, One road” Trade Agreement Framework**

The construction of the "one belt, one road" trade agreement framework can provide overall planning and coordination between countries. However, due to the differences in interests between the "one belt, one road" and other global economies, the legal system, trade barriers and political and economic risks, this construction is facing several challenges.

#### **3.1 Conflicts of Interests with Other Global Economies**

Countries along the Belt and Road have participated in various regional organizations, such as ASEAN, South Asian Regional Cooperation Association, Gulf Cooperation Council, Eurasian Union and Shanghai Cooperation Organization. The interweaving of various rules is bound to be unfavorable to the facilitation of intraregional trade and investment. It is not excluded that some countries use existing competitive international cooperation schemes to bargain with China for more favourable conditions of cooperation and greater unilateral interest transfer.

#### **3.2 Differences of National Legal Systems**

The legal systems in these countries are characterized by diversity. There are not only countries such as Malaysia and Singapore, which belong to Anglo-American law system, but also countries such as Russia and Kazakhstan, which belong to continental law system, and countries such as Afghanistan and Iran, which belong to Islamic law system. The difference between the legal systems will be a severe challenge. The construction of the "one belt, one road" trade agreement framework involves the coordination of the legal system. The difference between the legal systems will be a severe challenge.

#### **3.3 Obstacles of Countries along the Route**

The important regions among 65 countries is Central Asia and West Asia. But the tariff of these regions is still on the high level. In the SCO, only China, Russia and Kyrgyzstan are members of the WTO. Under the circumstances that Kazakhstan, Uzbekistan and Tajikistan have not yet joined the WTO, the establishment of FTAs will put pressure on industrial development, capital and technology. Therefore, these countries will be very cautious about the liberalization and facilitation of trade and investment. In India and other countries in South Asia, protective measures such as tariffs, non-tariff barriers and higher-threshold access policies are often used as means of protecting domestic industries.

### **4. Proposal for Constructing the Framework of “One belt, One road” Trade Agreement**

Promoting trade and investment liberalization and facilitation is the basic direction of implementing the strategy of "one belt, one road". Although there are many challenges, China, as the advocacy and leader of the "one belt, one road" strategy, should focus on long-term development, actively participate in and lead the formulation of the new rules for international trade and economy.

#### **4.1 Give Full Play to China's Trade Leading Role**

As a sponsor of the "one belt, one road", China should make full use of its geographical, economic and political advantages. China will play a strategic core and take action, strive to coordinate cross-regional cooperation mechanisms, and promote trade networks along the Belt and Road. In

the critical period of structural transformation and upgrading, we should make full use of this opportunity to strengthen China's core area in this region.

#### **4.2 Strengthen the Infrastructure Construction of Countries Along the Line**

Accelerate the construction and improvement of roads, railways, and transportation facilities such as pipelines and ports along the route, and form a transportation network through countries along the Belt and Road to reduce trade costs, improve trade efficiency, and facilitate interconnection between countries. China can use the advantages of steel, materials and other industries to implement the "going out" strategy and cooperate with countries along the route. It not only can solve the current situation of overcapacity in China, but also help accelerate the progress of infrastructure improvement along the route.

#### **4.3 Actively Carry Out Trade Consultations**

The free trade agreement has a significant pulling effect on trade cooperation between China and countries along the route. The countries along the Belt and Road have different levels of economic development. Therefore, as the initiator of the Belt and Road, China should take the responsibility of trade negotiations, especially for countries that have not signed trade agreements, and adopt differentiated cooperation methods according to different national conditions. Especially for some countries or regions with high trade barriers to carry out relevant negotiations to reduce trade barriers and strengthen bilateral cooperation, which is conducive to China's trade development, but also to the development of countries along the line.

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