

On Accounting Coordination among Countries along the One Belt And One Road

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Abstract. Since its development in 2013, One Belt And One Road has played a strong role in promoting the economic development of countries along the belt and road and made remarkable achievements in trade, investment and other aspects. This paper aims to understand the impact of the implementation of the "One Belt And One Road" strategy on the economic development of relevant countries and analyze the demand for accounting coordination among countries in the development process. By studying the current situation and overall problems of accounting coordination development in various countries, this paper analyzes the development direction of accounting coordination, discusses China's position and role in "One Belt And One Road", and proposes reasonable Suggestions for promoting accounting coordination.

Introduction

The proposal of "One Belt And One Road" has been strengthening economic exchanges between China and neighboring countries and regions, improving the level of opening-up and promoting the development of the national economy.

However, due to different national economic development level, different social and natural environment, various countries employ different accounting standards and thus inevitably lead to accounting content is different from country to country. The understandability and comparability of financial reports will further reduce, which will cause inconvenience even confusion in multinational or trans-regional trade process. Through accounting coordination, One Belt And One Road countries can increase accounting information transparency, reduce information asymmetry and improve the use value of financial statements, so as to strengthen economic cooperation and exchanges and promote the development of cross-border trade. At the same time, China can further understand the relationship between the development of domestic accounting and the coordination of international accounting through participating in accounting coordination, so as to enhance China's international status.

Based on the background of the increasing development "One Belt And One Road", status quo and existing problems about national accounting coordination of related countries are firstly analyzed in this paper. Suggestions are accordingly proposed whether establishment of regional accounting coordination or employment of international accounting standard and accounting coordination. Further, which position and role in the process of accounting coordination should China holds is analyzed of and thus contributes to promote the coordinated development of accounting.

Demand Analysis of Accounting Coordination in the Context of One Belt And One Road

There are 64 countries along the "One Belt And One Road", with a total population of 3.21 billion, accounting for about 43.4% of the global total, and trade volume of \$7.8855 billion, accounting for about 21.7% of the global total. In terms of regional economic development, the total trade volume of Southeast Asia is the largest, at 32.1%, followed by Eastern Europe and west Asia and North Africa. Among them, Singapore, India and Russia are at the top ranking.

In the four years since the launch of One Belt And One Road, the total trade volume between China and countries along the belt and road has exceeded 50,000 billion US dollars. Except for a slight decline in 2015 affected by the global economic downturn, the overall upward trend is obvious. The launching of One Belt And One Road not only promotes the domestic economic development, but also drives the economic leap of neighboring countries. Up to now, Chinese enterprises have built 75 economic and trade cooperation zones in countries along the "One Belt And One Road", creating 213,000 jobs.

In addition to trade, Chinese enterprises' investment in countries along the belt and road has also maintained steady growth. China adheres to the principle of jointly building, trading and sharing, and strengthens various economic activities between countries. In the past four years, the total amount of foreign direct investment has exceeded 7 billion US dollars.

According to the latest data from the Ministry of Commerce of China, Chinese enterprises invested a total of 14.36 billion us dollars in 59 countries along the "One Belt And One Road" line in 2017, accounting for 12% of the total amount of investment. The proportion of investment increases by 3.5% over the same period last year.

Since the "One Belt And One Road" was launched, the cooperative partnership between China and countries and regions along the belt and road has been consolidated, the scale of economic development has been expanding, and the formation of a fair and open market competition environment has been promoted.

At the same time, "One Belt And One Road" promotes the growth of cross-border trade, speeds up the pace of China's going out, and further strengthens China's opening-up. In addition, the proposal of "One Belt And One Road" is also conducive to making new contributions to the balanced development of urban and rural areas. For countries along the belt and road, increased investment in China has further boosted their economic development.

Status of Accounting Coordination in Countries along One Belt And One Road

According to the overall accounting coordination, the accounting standards adopted by countries along "One Belt And One Road" are obviously different. According to the International Financial Reporting Standards Guideline: Global Financial Reporting Language issued by the international financial reporting standards committee in March 2017, domestic listed companies and financial institutions in 54 countries (83% of the total number of countries along the belt and road) are required to preparation of financial statements in accordance with international financial reporting standards. India and Indonesia have maintained consistent convergence with IFRS, and domestic accounting reforms are under way. Thailand are preparing to directly adopt IFRS for accounting coordination. Uzbekistan has not imposed mandatory measures on domestic companies and financial institutions, only requiring its banks to report in accordance with international financial reporting standards. However, the three countries, Vietnam, Laos and Egypt, have not started accounting coordination and are still using their own accounting standards. Kyrgyzstan, Tukumstan, Tajikistan and Lebanon are not covered by the Guidelines because accurate information cannot be accessed. All in all, with the comprehensive promotion and improvement of the quality of IFRS, it has been adopted more and more globally. According to the guidelines, although 54 countries have adopted IFRS, they have different legal constraints. Countries that have not yet incorporated IFRS into their laws or systems include Uzbekistan, Yemen, Nepal, India and Singapore. Kazakhstan, Iran, Montenegro, Kuwait and Qatar are requiring domestic listed companies and financial institutions to converge towards international financial reporting standards starting in 2016. Saudi Arabia requires all listed companies to report in accordance with the international financial reporting standards from 2017, while other companies are required to apply the rules from 2018, while Sri Lanka indirectly USES the IFRS and brings them into law. In addition, the remaining countries have incorporated international financial reporting standards into their laws or systems and strictly implemented them in accordance with the requirements of the standards.

After an overall knowledge of accounting coordination status quo, the differences and similarities between the regional and interregional accounting coordination are analyzed. Therefore it will lay a solid foundation for the later analysis of the development direction of accounting coordination under the background of One Belt And One Road.

The ten ASEAN countries are typical countries along the belt and road and have closer economic exchanges with China after the completion of the free trade area upgrading negotiations with China in 2015. As an important bridge of economic communication, financial report plays an important role in promoting One Belt And One Road's development in depth and cooperation among multinational companies. At present, the implementation difference of accounting standards between China and ASEAN is obvious, which restricts the multilateral cooperation between China and ASEAN. Table 1 shows the use of international accounting standards of ASEAN countries according to the latest data.

Table 1 Summary of the international accounting standards for the 10 ASEAN countries

Country	Adoption of International Financial Reporting Systems(IFRS)
Vietnam	No such adoption and accounting coordinate
Myanmar	No such adoption and accounting coordinate
Laos	Accounting standards are incomplete. Current used accounting manual can only meet the requirement of tax declaration
Thailand	IFRSs are adopted and implementing
Cambodia	No stocks market. Accounting standard in Cambodia is very different with FIRS. Auditing reports are prohibited to adopt FIRS
Singapore	IFRS has been directly implemented for years.
Malaysia	IFRS has been directly implemented since 2018.
Brunei	No stocks market. Accounting standard in Cambodia is very different with FIRS. Auditing reports adopt FIRS but not so often.
Philippines	IFRS is amended and implemented since 2005. Domestic listed companies can but not prohibited to use IFRS
Indonesia	IFRS has been directly implemented since 2016.

According to Table 1, except Singapore, accounting coordination in ASEAN countries is still in its infancy, and there are still many problems. There are mainly the following reasons which cause such condition: firstly, regional economic integration in the ten ASEAN countries is still at a low level, and the level of economic development is not high, which lacks the support of high-tech industries, and the competition in low-end industries is serious, so there is no effective driving force to promote the coordinated development of accounting. Secondly, the regional economic cooperation among ASEAN countries lacks the institutional support of binding force and there is no unified accounting organization in ASEAN countries. However, the development of accounting organizations among ASEAN countries is uneven, and their implementation capacity is insufficient, leading to disputes not being solved in time and the supervision is not in place. Thirdly, the internal accounting environment in the ten ASEAN countries is complex. The accounting system is influenced by different systems, economic development levels and political systems in Europe and the United States. Although many countries choose to directly conform to international accounting standards, the problems encountered in this process and the solutions are still unknown.

Located in South Asia, the eight countries with more than one fifth of the world's population are the most densely populated region in the world. Due to political and religious reasons, local political instability leads to backward economic development. As one of the poorest regions in the world, accounting coordination process is slow due to economic impact. From the point of the accounting standard setting bodies, the accounting standards in the five countries, i.e. India, Bangladesh, Sri Lanka, Nepal and Bhutan are regulated by an independent accounting profession organization system. However the situation of the remaining three countries is more special. In Maldives, the accounting standard is regulated by the securities regulatory department under the state council rules. In Afghanistan the accounting standard is set by the central bank. While in Pakistan, the accounting standard is formulated by multiple departments or organizations jointly.

The difference of standard-setting body in different countries, on the one hand, can lead to the enforcement and effect of the international accounting standards different. For example, Bangladesh only carried out some provisions of the international accounting standards and did not perform the item 39 of

the relevant provisions, recognition and measurement of financial instruments; Pakistan is not implemented international financial reporting standards item 1; while Sri Lanka's accounting standards include not only the international standards, but also refer to some institute report guide, and other relevant recommendation. Similar to China, India has taken into account its special national conditions and has not directly adopted IFR. Standard-setting body can further affect the domestic legal status of the international financial reporting standards. In India, Nepal and Bhutan, international financial reporting standards are lack of legal constraints. Accounting standards in Sri Lanka is revised from the international financial reporting standards 2011 and is not used directly. all companies must follow the new accounting standards issued by the accounting and auditing standards item 15.

The EU, as an international organization composed of multinational, are looking forward to improving the internal capital market liquidity in coordination with the accounting standards and thus improving international operational efficiency. In fact, the EU is the earliest international-level organization who employs accounting coordination. In 2005, listed companies within the territory of the EU have been prohibited to implement the international financial reporting standards and financial statements. As the number of countries participating in "One Belt And One Road" increases year by year, up to now, a total of 16 countries in Central and Eastern Europe are included. They are either members of the EU or ready to join EU. Therefore their international coordination level of accounting standards is leading within the countries in One Belt And One Road. Taking Poland, the Czech Republic and Hungary for example, all the market regulation within their countries to engage in listed companies and foreign companies must use the international financial reporting standards preparing consolidated financial statements. However when the EU reckons that those set up by foreign regions for financial reporting standards adopted by the company are met with international financial reporting standards, they can use their own financial reporting standards as well. Generally speaking, the countries in Central and Eastern Europe along One Belt And One Road have a high level of accounting coordination.

With the implementation of the One Belt And One Road strategy, multinational companies can make full use of domestic and international capital markets, broaden the financing channels, and meet the demand of enterprise financing. In this case, the multinational companies in China need to establish excellent accounting system for overseas sub-companies to manage and control effectively. At the same time, the countries along the One Belt And One Road can monitor Chinese sub-enterprise invested and established in their countries. Therefore, China is actively looking for ways to improve mutual recognition among accounting standards of countries along the belt and road by participating in accounting coordination, reduce trade friction and protect the interests of Chinese enterprises. From this perspective, accounting coordination can further consolidate China's economic status. In fact, China began to implement the new accounting standards in 2006, and IFRS was used as the basis of the new standards. However, due to differences in accounting development and different coordination levels, China has not signed accounting standards recognition agreements with countries along the belt and road, which is not facilitating for Chinese enterprises to enter the local capital market and carry out economic activities there.

The long-term coexistence of accounting standards and accounting systems is a major feature of China's accounting development. In the process of promoting accounting coordination, how to make accounting system adapt to internationalization without losing its own national characteristics and how to enhance the matching degree of accounting standards and accounting system are the focus of China's accounting reform. Since reform and opening-up development up to now, marketization of China's economy is still in progress and under the influence of planned economy notion. Perfect market economy system has not yet been established. China transnational enterprises must keep a cool head in the process of reform and take concrete and effective solution strategy, fully considering China's national conditions and social attribute. On the other hand, although the reform and opening up has promoted the substantial improvement of the hard-side economic environment, the soft-side environment such as complete legal system, sound supervision mechanism and education system has not developed at the same speed. Therefore, as the sponsor country of One Belt And One Road, China should take full advantage of this position to promote the development of China's accounting coordination.

Analysis of Accounting Coordination Obstacles in the Context of One Belt And One Road

The in-depth development of "One Belt And One Road" strengthens the economic exchanges between the countries along the belt and road, and the problems caused by accounting differences will become increasingly prominent, bringing many obstacles to the trade cooperation between the countries along the belt and road.

There is a wide gap in the level of accounting development in countries along the belt and road. There are developed countries with fairly complete accounting systems along the line of One Belt And One Road, as well as countries with preliminary economic development stage and accounting system not yet established. In developed countries such as Singapore, certified public accountants are an enviable profession. They are not only well-paid but also have a very high social status. However, in underdeveloped countries such as Laos, accounting has not even been separated from management and become a specialized profession, let alone establishes an independent accounting system. It is obvious that accounting coordination condition in one country's is closely related with its economic development. Countries with strong economic strength will combine their own economic characteristics with their own interests demand and employ modified international financial reporting standards and put to use on the basis of its national conditions. As to countries with poor economic development, they often t directly employ international accounting and financial rules, which will cause a lot of trouble due to lack of international standards and the comparative analysis of domestic economic development. In addition to impact of national economic strength on accounting coordination, different natures of enterprises have different demands for accounting coordination. Multinational companies need to prepare consolidated financial statements and reports using the authenticity and comparability of relevant financial data; therefore the demand for accounting coordination is at a high degree level. However, public institutions focus on domestic economic market, accounting is greatly influenced by political, cultural and other environmental factors. Accounting coordination can help them to better understand the economic strength of companies in other countries, but it is not a hard demand, so the impact of accounting coordination on their use of financial statements is limited. For small and medium-sized enterprises with weak strength, the significance of accounting coordination for their development has not yet been reflected, and the company still focuses on business development and pays little attention to accounting development. Because of the economic gap between the countries along the belt and road, the composition of enterprises is not the same, which will also cause a significant gap in accounting development.

The convergence of accounting standards of "One Belt And One Road" countries is quite different and has obvious regional characteristics in the trend towards international financial reporting standards. For example, national accounting development level in Southeast Asia countries is relatively backward in addition to Singapore. As to countries in the transition from the planned economy, taking Russia for example, their accounting standards are basically set by the country's finance department directly; therefore this will lead to the accounting for political interference factors. This may cause different countries have different accounting coordination level and accounting statements have obvious difference. Thereafter, the reliability and use value of consolidated financial statements of multinational companies will drop dramatically.

During our research, we found that many countries expected to accelerate the process of accounting coordination through the direct adoption of IFRS ignoring the gap in strength among different countries and regions. Strong economies such as the EU can participate in the formulation of IFRS through extensive contacts with the International Accounting Standards Board (IASB) to ensure that the rules can take into account EU accounting realities and opinions, and thereby safeguard the interests of the EU. By contrast, the international financial reporting standards (IFRS) are difficult to reflect economic difference and sharp characteristics of countries along the One Belt And One Road. Direct appliance of IFRS will cause inconvenience and untrue reporting.

In addition, the language problem is another important obstacle that restricts the communication between different countries. There are 50 different official languages used in the countries along the One Belt And One Road. From the perspective of the current stage, accounting professionals cannot adapt to the requirements of accounting in the new period in a relatively short time. Therefore, how to establish a

unified accounting organization for One Belt And One Road related countries in a relatively short period of time and accelerate the process of accounting coordination is an important task at present.

Suggestions of Accounting Coordination in the Context of One Belt And One Road

With the development of "One Belt And One Road", a large amount of capital from countries along the belt and road will flood into the economic market of each country. If a country's capital market can be well regulated, it can play a significant role in economic development. But it also puts forward higher requirements for the supervision of the capital market. Therefore, only by strengthening the standardized management of national capital market can countries improve the transparency of capital market information, enhance the use value of accounting information, promote the upgrading and improvement of national economic structure, and help countries gain more abundant resources and advance experience in promoting accounting coordination.

Establish a unified accounting coordination organization. Due to political, cultural and other differences between countries, accounting mission is quite different. In order to smoothly advance the accounting coordination, different countries should be based on premise of mutual coordination and make a choice and adjustment through coordination and cooperation to reach a consensus. A special "One Belt And One Road" accounting coordination organization should be established.

Strengthen communications, supervision and implementation of guidelines. To promote national economic development, attendant countries should learn to strengthen communication with neighboring countries and pay attention to the cultivation of high-quality accounting personnel so as to develop a more reasonable accounting system. Schools and other educational institutions should also make innovations in the cultivation and evaluation system of accounting talents, so as to provide accountants with opportunities to learn international accounting, international taxation and international finance. Professional accounting institutions should organize members to study on an irregular basis to improve their professional competence and provide guidance for international accounting coordination. In addition, countries should improve the supervision and management mechanism of accounting standards; reduce the impact of external environment on the independence of standards formulation. On the other hand, relevant laws and regulations should be improved, and the enforcement of accounting standards should be legally binding.

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