

Transformation of China's Foreign Trade Enterprises Under "the Belt and Road Initiative"

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Abstract—The cooperation mode under "the Belt and Road Initiative" has changed. Foreign enterprises constantly erect trade barriers to China's export of foreign trade products, which has resulted in that the factor cost of China's foreign trade has risen while the added value of traditional products is low. As a result of the rise of e-commerce, an urgent need to exploit new foreign trade markets, a lack of right to develop international standards for products, and an insufficient innovation of small and medium-sized enterprises in China, China's foreign trade enterprises must accelerate the development of demonstration bases for foreign trade transformation and upgrading, actively construct international e-commerce platforms and change the market direction, improve product quality, and enhance the ability of service innovation, so as to carry out enterprise transformation and upgrading.

Keywords—"the Belt and Road Initiative"; foreign trade enterprises; transformation

I. INTRODUCTION

"The Belt and Road Initiative" is both an opportunity and a challenge for economic entities along the route. It provides a rare opportunity to improve the level of economic and trade cooperation between China and the economic entities along the route. At present, China's exports to the economic entities along the route are obviously faster than the average, which is a new advantage of China's foreign trade development. However, there is still a big gap between China's foreign trade enterprises and transnational corporations in business philosophy, research and development ability, brand cultivation and management, network construction service and so on. Therefore, in order to sharpen the international competitiveness of China's foreign trade enterprises and improve the quality and efficiency of foreign trade growth, China's foreign trade enterprises need to transform and upgrade, and seize the new opportunities brought by "the Belt and Road Initiative".

II. BACKGROUND OF STRATEGIC TRANSFORMATION OF CHINA'S FOREIGN TRADE ENTERPRISES

At present, there are new ways of cooperation such as PPP mode under "the Belt and Road Initiative". Foreign enterprises

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constantly set up trade barriers to China's export of foreign trade products. Besides, the factor cost of China's foreign trade has risen, while the added value of traditional products is low. These are the realistic backgrounds that China's foreign trade enterprises have to transform.

A. New Ways of Cooperation Have Emerged Under "the Belt and Road Initiative"

"The Belt and Road Initiative" is an open, inclusive and diversified strategy, with mutual benefit and win-win situation as its basic concept. "The Belt and Road Initiative" involves more than 60 countries and 2.2 billion people. As long as there is a cooperative willingness, any country can join and participate in this initiative, so it is an open and equal cooperation. However, along with the development opportunities, "the Belt and Road Initiative" involves a large number of countries and regions, differences in politics, economics, religion and culture also bring severe challenges to companies. The PPP model, which is increasingly introduced into "the Belt and Road Initiative", is likely to become an important form of its implementation. Middle East and Southeast Asian countries along the route are in favor of this model. Therefore, China's foreign trade enterprises should boldly explore this model, change the traditional mode of foreign trade cooperation, and conduct strategic transformation and upgrading, in order to strive for a long-term development in "the Belt and Road Initiative".

B. Foreign Enterprises Constantly Erect Trade Barriers to China's Export of Foreign Trade Products

With the gradual rise of China's economic strength, products made in China have been widely exported to the world. In 2013, the total value of commodities exported to the United States, Europe, Japan and South Korea accounted for 60 percent of the total amount of exports. While gaining a large amount of foreign exchange reserves, China's foreign trade has also brought strong crisis awareness to United States, the European Union and other countries. In order to restrict the rapid development of Chinese products, European and American countries have launched trade remedy investigations and anti-dumping investigations on China's export commodities. There were 61 anti-dumping investigations in 2014 alone. The United States launched twelve "337" investigations and the European Union launched one anti-circumvention investigation and one anti-absorption

investigation. These investigations put great pressure on China's foreign trade enterprises, affecting their normal development. No matter what the final result of the "double negative" investigation is, enterprises will bear the litigation costs, so their economic losses cannot be ignored. This kind of losses shows that China's foreign trade enterprises are extremely lack of understanding of foreign trade norms, forcing them to transform and upgrade to adapt to international rules.

C. The Factor Cost of China's Foreign Trade Has Risen, While the Added Value of Traditional Products Is Low

At present, the comparative advantages of labor, land and capital in China's foreign trade development have changed. Foreign trade has shifted from high-speed growth to medium-high-speed growth. The factor cost of labor, land, environment and capital in China is in a period of continuous rise, and the processing mode and export commodities that employ cheap labor force are challenged to a certain extent. As a result, the profit of export commodities is depressed again, so the competitiveness of China's export commodities decreases continuously. The foreign trade mode of Chinese enterprises is mainly divided into general trade and processing trade. The amount of exports of general trade accounted for 49% of the total amount of exports, and the processing trade accounted for about 39% in 2013. Therefore, general trade and processing trade are the main export modes in China. The main export products are labor-intensive products, which are at the bottom of the value chain. Labor-intensive products have low added value, and enterprises can earn lower profits. Therefore, how to change the current situation is a problem that enterprises should seriously take into consideration.

III. REASONS FOR THE TRANSFORMATION AND UPGRADING OF CHINA'S FOREIGN TRADE ENTERPRISES UNDER "THE BELT AND ROAD INITIATIVE"

Under the above background, the rise of e-commerce, development of new foreign trade markets, a lack of right to formulate international standards for products, and an insufficient innovation of small and medium-sized enterprises in China are the direct reasons that China's foreign trade enterprises must transform and upgrade.

A. E-commerce Is on the Rise

At present, cross-border e-commerce has developed into a new form of international trade. The government takes the lead in promoting the establishment of international economic and trade rules for cross-border e-commerce among the economic entities along the route, including the inspection and quarantine standards for some products and product quality standards. Some mature standards should be directly used as cross-border e-commerce standards and promote the convergence of standards formulated by countries along the route. At the same time, enterprises should establish a standard system for collecting, exchanging and storing basic information of subjects and objects in cross-border e-commerce transactions, as well as a traceability system for the whole process. Moreover, it is necessary to strengthen credit system construction, and advance the establishment of a

common cross-border e-commerce credit system for the economic entities along the route, including credit inquiry, qualification certification and credit guarantee. Compared with the traditional business model, the emergence of e-commerce has undoubtedly become an important factor affecting the development of foreign trade enterprises. It has the advantages of low cost, free time and space and simplified transaction process, so e-commerce is the general trend of future development. However, many foreign trade enterprises in China are not ready to apply e-commerce, and there are deficiencies in hardware and personnel training. Although the application of e-commerce in the field of foreign trade will continue to be expanded, foreign trade talents do not possess the ability to apply e-commerce. As a result, foreign trade enterprises are unable to cope with these changes, and then get into trouble in business development, finally are unable to maintain sustainable development.

B. The New Foreign Trade Market Is Being Exploited

Due to the increasing competition in the whole foreign trade industry, China's foreign trade enterprises must conduct strategic transformation to open up new markets. China's foreign trade market mainly depends on some developed economic entities such as the European Union, the United States, Japan and South Korea. Foreign trade value of these regions accounts for more than 80% of China's total foreign trade value. The excessive concentration of the foreign trade market results in the amplification of foreign trade risks. Especially in recent years, the trade deficit from the United States, the European Union and other trading partners has been surging year by year. China's foreign trade enterprises have suffered more and more trade protection investigations. Objectively, it requires China's foreign trade enterprises to exploit some new foreign trade markets, such as some countries in Africa, South America and Asia. However, the developing countries account for a large number among the countries along "the Belt and Road Initiative". Due to differences in religion, culture and economy, their demand for products is different from that of developed economic entities, which forces China's foreign trade enterprises to make appropriate strategic transformation, and develop more marketable products.

C. China's Foreign Trade Enterprises Lack the Right to Formulate Standards for Products

Strict product standards have always been the main tool for Europe, America and other developed countries to create trade barriers. Therefore, striving for the right to formulate international standards will be an effective weapon for China to break through technical barriers to trade. In recent years, Chinese enterprises generally adopt the strategy of "double standards" in which foreign advanced standards are applicable to export sales and national standard are applicable to domestic sales. Although this has made some achievements in export, it has not fundamentally changed China's weak position in international standard formulation. On the contrary, it causes dissatisfaction and protest from domestic consumers to some extent. Domestic consumers believe that the quality of domestic products cannot be guaranteed, so they have turned to buy imported products from abroad. In fact, in today's

international market competition, standards have become the focus of product competition, especially high-tech products. Chinese enterprises are still unable to grasp the right to set international market standards and cannot enter the field of setting international standards. Therefore, Chinese enterprises urgently need to carry out product strategic transformation and strive for the right to formulate international standards for products.

D. The Innovation of Small and Medium-sized Enterprises in China Is Insufficient

The healthy development of small and medium-sized foreign trade enterprises is of great significance to the economic and social development of a country. The sustained economic growth and social stability of one country are inseparable from small and medium-sized enterprises. In particular, small and medium-sized enterprises have played an important role in stabilizing the economy, creating jobs, earning foreign exchange through export and providing social services. The defects of weak strength, weak innovation awareness and poor risk-resistance ability will lead to a very high mortality rate for small and medium-sized enterprises. Most of the small and medium-sized enterprises in China adopt extensive economic development mode, with low scientific and technological content of products. When enterprises are developing to a certain stage and have to transform, due to the lack of guided innovative strategic direction, strong consciousness of innovation, and unsound innovation system, in light of future development, small and medium-sized foreign trade enterprises need to improve their innovation ability, build sound and effective innovation incentive mechanism and cultivate enterprises' core competence for the purpose of competing with foreign trade enterprises with strong strength in "the Belt and Road Initiative".

IV. PATH OF TRANSFORMATION AND UPGRADING OF CHINA'S FOREIGN TRADE ENTERPRISES UNDER "THE BELT AND ROAD INITIATIVE"

At present, China must speed up the construction of demonstration bases for the transformation and upgrading of foreign trade, actively build international e-commerce platforms, transform from traditional developed markets to emerging markets, improve the quality of products, and enhance the ability of service innovation. These are the four approaches that China's foreign trade enterprises must rely on for transformation and upgrading.

A. China Must Speed up the Construction of Demonstration Bases for the Transformation and Upgrading of Foreign Trade

Demonstration bases are industrial clusters and leading enterprises with obvious industrial advantages, distinct regional characteristics, perfect public service system, prominent role of leading enterprises and strong export driving effect. Under "the Belt and Road Initiative", it is necessary to select a number of strong and distinctive industrial clusters and leading enterprises, consciously cultivate them, build a number of national demonstration bases for foreign trade

transformation and upgrading, and create a new bright spot of China's foreign trade exports. There are three objectives for the demonstration base of foreign trade transformation and upgrading. The first is to build and improve public service platforms for technology research and development, test detection, registration and certification, international marketing services, information logistics and training. The second is to cultivate independent brands and promote them. The third is to integrate the industrial chain and extend the industrial chain. "The Belt and Road Initiative" has opened up a "blue ocean", attracted enterprises to "dig gold", supported enterprises to participate in the construction of investment, trade, project contracting and major infrastructure projects of countries along "the Belt and Road Initiative", and driven the export of equipment, materials, products, standards and services, which have become the key direction of transformation and upgrading of enterprises. A small number of enterprises will be built as demonstration bases to drive other enterprises to actively transform and upgrade, so as to meet the demand for commodities in new markets.

B. China Must Actively Build International E-commerce Platforms

Information technology plays an important role in accelerating the strategic transformation of enterprises. Traditional foreign trade enterprises pay little attention to the application of information technology, which results in their loss of strong technical support in the strategic transformation. The application of information technology is mainly reflected in the establishment of information management systems for foreign trade enterprises and the use of current popular e-commerce. Enterprises make flexible allocation of resources through the introduction of information technology, which will provide the most basic information for the strategic transformation of enterprises. At present, e-commerce platform is the latest form of information technology application. Enterprises should actively build an all-the-way foreign trade e-commerce service platform which integrates foreign trade government affairs, market information and link services. It mainly includes two forms. One is the e-commerce platform that combines domestic and foreign trade. Online purchase is the main form of e-commerce and one of the main channels of goods transaction between enterprises. The other is the cross-border e-commerce platform, which is a trading method that Chinese enterprises urgently need to adapt and improve under "the Belt and Road Initiative".

C. China Must Transform from Traditional Developed Markets to Emerging Markets

Although the financial crisis and sub-prime crisis have been alleviated in the United States and Europe, the two traditional export markets of China's enterprises, the market demand has shrunk dramatically, which leads to a sharp decline in China's exports to these two markets. Meanwhile, the rise of trade protectionism in developed countries and the increase in the number of "double negative" surveys of China will make China's export products become the main target attacked by developed countries for their market. Therefore, China's foreign trade enterprises should make decisive adjustments, seize the new opportunities offered by "the Belt

and Road Initiative”, and actively explore emerging markets. The emerging markets along “the Belt and Road Initiative” such as Middle East, India, Southeast Asia and Russia are developing rapidly, with strong demand and increasing purchasing power of consumers. They should become the main market for Chinese enterprises to vigorously explore. However, immaturity of emerging markets, imperfect legal system and high credit risk are the aspects that Chinese trade enterprises should be vigilant against.

D. China Must Improve Quality of Products and Enhance Service Innovation Capabilities

The quality of products is the key for the products to occupying the market. The quality of export commodities meets the requirements of host country, which directly determines the export scales of China’s enterprises. In recent years, developed countries have put more and more demands on product quality, and the formulated standards have become more complicated. In order to better expand exports, China’s enterprises should strictly control the quality of goods, build a quality-oriented thinking, oppose low-quality and low-price competition, and strictly follow the international commodity quality standards to produce products, and only in this way can we achieve success steadily. Except that the emphasis should be put on commercial quality, Chinese enterprises’ ability of serving terminal customer and their international marketing and after-sales service should also be enhanced in light of the late starting of service trade and lagging development. Secondly, relying on increasing overseas investment, contractual service, telecommunications and consulting and other international trade in services should also be developed. In 2016, the State Council issued Reply on the Approval of Launching Pilots for Innovative Development of Service Trade as an approval to Pilot Program for Innovative Development of Service Trade put forward by Ministry of Commerce and approved to launch service trade innovation development pilot areas in the following provinces and cities (districts): Tianjin, Shanghai, Hainan, Shenzhen, Hangzhou, Wuhan, Guangzhou, Chengdu, Suzhou, Weihai and Harbin New District, Jiangbei New District, Liangjiang New Area, Gui’an New Area and Xixian New Area. For foreign trade enterprises, their purpose is to actively explore new modes of service trade development under the background of informationization. Relying on new technologies such as big data, Internet of Things, mobile Internet and cloud computing to promote innovation in service trade model, and create a new network platform for service trade. At the same time, the enterprises actively undertake offshore service outsourcing and improve the cross-border delivery capability of services.

V. CONCLUSION

In short, the cooperation mode under “the Belt and Road Initiative” has changed. Foreign enterprises constantly erect trade barriers to China’s export of foreign trade products, which has resulted in that the factor cost of China’s foreign trade has risen while the added value of traditional products is low. As a result of the rise of e-commerce, an urgent need to exploit new foreign trade markets, a lack of right to develop international standards for products, and an insufficient

innovation of small and medium-sized enterprises in China, China’s foreign trade enterprises must accelerate the development of demonstration bases for foreign trade transformation and upgrading, actively construct international e-commerce platforms and change the market direction, improve product quality, and enhance the ability of service innovation, so as to carry out enterprise transformation and upgrading.

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