

The Research on Yunnan's Foreign Trade in the Context of "the Belt and Road" Initiative

Yuxin Fan

Economics School
Yunnan University of Finance and Economics
Kunming, China
695215023@qq.com

Hao Lin*

International Business School
Yunnan University of Finance and Economics
Kunming, China
912719112@qq.com

Abstract—The development of foreign trade is an important accelerator for a country's economic growth. Since "the Belt and Road" Initiative was put forward, the development of foreign trade in Yunnan has made great progress, however it still faces many problems. This paper analyzes the advantages of Yunnan's foreign trade, introduces its current situation and development problems of foreign trade with relevant data in recent years. The countermeasures for adjusting the industrial structure, expanding foreign capital, and diversifying foreign trade were put forward.

Keywords: "the Belt and Road" Initiative, foreign trade, foreign direct investment, Yunnan, China

I. INTRODUCTION

Recent years, the development of an open economy in the background of "the Belt and Road" Initiative gets more attentions from the worlds. Chinese president Xi Jinping pointed out in his keynote speech, that "the Belt and Road" Initiative opened a new space for the growth of world economy, established a new terrace for international trade, expanded and improved global economic governance and created new contributions.

Yunnan, as an important hub in the southwest of "the Belt and Road", has unique advantages on location, rich natural resources and so on. However, how to develop the foreign trade of Yunnan Province in the context of "the Belt and Road" Initiative becomes a hot topic.

Most recent researches are mainly on the aspects of the present situation, existing problems and policy suggestions for Yunnan's foreign trade in the context of "the Belt and Road" Initiative.

Before proposing "the Belt and Road" Initiative, researches to Yunnan's foreign trade are as the follows: Du Qiong and Liang Ping summarized that although the development of Yunnan's foreign trade was fast in recent years, the gap between Yunnan and the whole country was still existed largely[1]. They stated that in order to promote the growth of foreign trade in Yunnan, the government should promote the import and export volume of industrial areas and adopt some

other effective • measures. Ge Liang illustrated that by 2010, Yunnan's foreign cooperation and exchanges were still in a low level, small scale, narrow scope of foreign trade, and the cost of cross-border logistics of foreign trade was high. [2] Cheng Min concluded that the main problem of Yunnan's foreign trade development was in the low technological program by exporting commodities and the small proportion of processing trade. [3] Huang Ning indicated that the volume of Yunnan's foreign trade was small, but grew rapidly from 1993 to 2013. Its dependence on foreign trade increased from 8.62% to 13.66%, but that was still low [4]. Fu Jianbo and Luo Hongxiang showed that from 1992 to 2013, the level of Yunnan's foreign trade was improved, but there were still some problems on the shortage of system, and foreign trade activity was extremely concentrated [5].

After proposing "the Belt and Road" Initiative, Long Yufan and Li Huinan indicated that the foreign trade mode of Yunnan was mainly on general trade, the industrial structure was gradually changed from the first industry to the second and third, the diversification trend of import and export trade was becoming more and more obvious [6]. Yang Qi et al. suggested that, in order to integrate into "the Belt and Road" construction, Yunnan should make some changes on policy adjustment, think tank construction, financial reform and urban construction[7]. Zhang Yongshuai thought that in 2013, the South Asian countries became the second largest trading partners with Yunnan [8]. If Yunnan wanted to play important role in "the Belt and Road" Initiative, it should adjust and improve the industrial structure, enhance the level of foreign trade and create a good internal and external environment. Huo Qiang and Liu Hong concluded that Yunnan had made new achievements in economic and trade cooperation since the "the Belt and Road" Initiative [9]. By September 2017, Yunnan had built 17 development and opening up cooperation functional zones in seven major categories, and had more than 230 trading partners in South Asia, Southeast Asia and some regions in the world. Dong Qixuan found that there were three main restrictive factors influenced Yunnan effectively involved in the construction of "the Belt and Road" Initiative, which meant the complex and changeable situation existed in the surrounding area of Yunnan, and the shortage of impetus for the development of foreign trade and the insignificant effect of

*Corresponding author

road construction [10]. Wu Lei and Cao Fengyu stated that from the "Bridgehead" to "the Belt and Road", Yunnan's foreign trade had been upgraded in an all-round way [11]. The introduction of the central policy had clearly defined Yunnan's position, that is, the new area of the Mekong sub regional economic cooperation and the radiation center for South Asia and Southeast Asia. However, Yunnan's foreign trade still faces internal and external bottlenecks.

Reviewed the above researches, it is concluded that the development of foreign trade in Yunnan is facing opportunities and challenges in the background of "the Belt and Road" Initiative. However, there are some weakness in these researches. First, they did not thoroughly analyze the relevant data of Yunnan's foreign trade after "the Belt and Road" Initiative proposed. Second, they did not clarify the current state and reasons for the development of foreign trade based on data. Third, these studies also did not propose a systematic strategy for the future.

Referring to the above, this study focuses on the path of Yunnan's foreign trade development, selects the latest data for comparative study, analyses the advantages and foreign trade development situation in Yunnan, then it puts forward some measures on policy.

II. CURRENT SITUATION ANALYSIS

2.1. Advantages

2.1.1 Location:

Yunnan is located in the central position between East Asia, Southeast Asia and South Asia. It is one of the provinces with the largest number of neighboring countries in China. It is an area along the Southern Silk Road. Yunnan province forms a fan-shaped border economic opening zone to South Asia and South-East Asia with Kunming in the center. This provides an objective location condition for Yunnan to become a trade center in Southeast Asia. Historically, Yunnan traded with neighboring countries through the Delamu, the Yunnan-Burma railway and so on, then became the economic and cultural exchange important channel in Southwest China. Recent years, Yunnan's transportation network of railways, highways, airlines and ferry lines have being improved, and the Pan-Asian Railway East Line is opened in use. Under "the Belt and Road" Initiative, Yunnan is gradually being changed from the marginal area of opening up to be the center of economic radiation.

2.1.2 Resource :

Yunnan's climate is characterized by low latitude climate, monsoon climate and mountain plain climate. There are various ecological types in Yunnan which are well-known for "Drug Storehouse" and "Natural Garden" at home and abroad. Yunnan is also rich in mineral resources and it is known as the "Kingdom of Non-ferrous Metals". These unique natural resources provide the foundation for the diversification of Yunnan's industries. At the meanwhile, Yunnan, with a population of 48.3 million, is a province with large labor resources, and labor costs are much lower than those in coastal areas. The average annual wages of urban non-private

employees in Yunnan Province are ¥75 701, while those in the eastern region are ¥93253 [12].

2.2 Development

Since the Chinese Reform and Open Policy, Yunnan's foreign trade level has being risen continuously, the total export-import volume totaled from \$104 million in 1978 to \$29.89 billion in 2018, it increased 286 times. Since 2013, it has been at the highest level in history. The line chart is as follows [13].

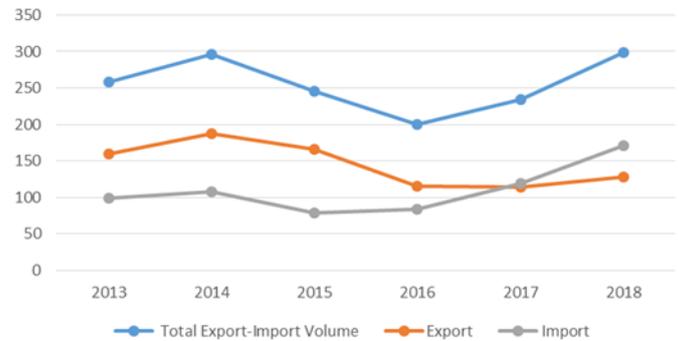


Figure 1 Foreign Trade Data Map of Yunnan in 2013-2018

As is shown in the figure, since the implementation of "the Belt and Road" Cooperation Initiative, the total volume of import and export trade in Yunnan has shown an overall upward trend, but overall development has been slow. It has rebounded since 2016.

The main reasons for the low import and export volume in Yunnan Province from 2013 to 2016 are as follows: first, the unreasonable industrial structure; second, the construction of transportation facilities lags behind. In 2015, the volumes of provincial railway passenger and freight were 38 million people and 1.7 billion tons respectively, which could only meet 7.6% and 10% of the total demand (Wu Lei, Cao Fengyu, 2018:83-93); third, the depreciation of the Burmese currency. In terms of trade growth rate, the total import and export volume in Yunnan reached \$29.89 billion in 2018, an increase of 24.7% over the previous year, which ranked the fifth in China. Among them, in Yunnan province, the exports amounted to \$12.842 billion, which is increased by 12.4%, and the imports amounted to \$17.048 billion, which is increased by 42.5% [14].

The foreign trade in Yunnan's current situation can be generalized as the follows:

In the trade mode, the general trade accounts is 65.2% in 2018, which is still the main mode for foreign trade in Yunnan and the border trade is booming.

In the trade market, Yunnan's trade with the countries along "the Belt and Road" maintained in relatively rapid growth. The total volumes of imports and exports reached ¥133.16 billion [15], increased 30.3%, and accounted for 67.5% of the total foreign trade share of the province in the year. The proportion of total import and export volume with Association of Southeast Asian Nations (ASEAN) reached 46.1%.

For commodity composition, the export commodities in Yunnan mainly relied on labor-intensive commodities, such as agricultural products, fertilizers, mechanical and electrical products and so on. Crude oil, natural gas, sulfur and other raw materials are the main imported commodities.

2.3 Problems

2.3.1 The dependence on foreign trade is declining and the economic grows slowly.

Contrasted with east area in China, the total import and export volume of Yunnan is in a small scale and low level. In a country or region, the degree of economy depending on foreign trade reflects its economic development level and participation in the international economy. It is equal to the total imports and exports divided by GDP. The following table showed the degree of economy depended on foreign trade in Yunnan Province and China [16].

Table 1: Dependence on Foreign Trade between China and Yunnan Province

Year	China (%)	Yunnan (%)
2013	43.73%	13.35%
2014	40.98%	14.20%
2015	35.76%	11.22%
2016	32.86%	8.99%
2017	33.72%	9.64%
2018	33.70%	11.03%

As Table 1 shows, in recent years, China's dependence on foreign trade remained between 30% and 40%. While, Yunnan's dependence on foreign trade is only about 10%, which is much lower than the level of the country. The low dependence degree in Yunnan on foreign trade reflects that Yunnan's economy is relatively closed, and the influence of foreign trade on economic growth was not fully released.

2.3.2 Foreign investment is low and the capital source structure is unitary.

In 2017, first, the actual amount of Foreign Direct Investment (FDI) in China was \$13.135 billion, but in Yunnan Province, it was only \$963 million and occupied 0.73% of the whole country. [17] It is far behind the average of the country, and there is a big gap from the eastern coastal areas. Second, the main source of FDI in Yunnan Province is Hong Kong, which accounted for 85.6% of the actual FDI. The developed countries in Europe and the United States had less investments in Yunnan, which meant the capital source of fund was single.

In addition, the amount of FDI in secondary industry such as manufacturing industry was relatively high. While, FDI in primary industry was only \$0.23 billion, accounted for 2.39% of the total actual foreign direct investment [17]. The primary industry concentrates on a large number of labor force without much of foreign capital inflow. These reasons lead to the industrial structure upgrading slowly in Yunnan Province.

2.3.3 The foreign trade market structure is unreasonable.

The countries which trade with Yunnan are mainly Burma, Thailand, Laos, Vietnam and other traditional trade partners. The total trade with these countries accounted for more than

40% of the total imports and exports trade in the province. In 2018, the total trade between Yunnan and Myanmar reached 6.59 billion US dollars accounted for 43.2% of the total trade between Myanmar and China.

On the one hand, it showed that the cooperation between Yunnan and Myanmar, Thailand and other regions in the construction of border economic was increasing. On the other hand, it also showed that Yunnan's foreign trade depended too much on these countries. Therefore, the structure of the foreign trade market still needed to be broadened.

Yunnan's foreign trade is mainly concentrated in Kunming. The total import and export volume of Kunming was \$4.818 billion, accounted for 33.4% of Yunnan Province [18]. Other regions in Yunnan also have abundant natural resources and low labor costs. However, due to the complexity of the terrain, high costs on transportation construction, underdeveloped transportation, small government financial expenditure, low quality of labor force and other reasons, the economic development level was low [19]. Therefore, regional development in Yunnan province is not coordinated and trade development is unbalanced.

2.3.4 The industrial structure is single and the export products are scarce.

At present, there are fewer emerging industries in Yunnan Province, and most of the products produced were products with low added value [20]. There is also a lacking of capital and technology-intensive industries. In 2017, Yunnan Province exported ¥28.28 billion [21] of agricultural products, which were still the main export products of Yunnan Province. However, it could not support the further development of trade in Yunnan. Therefore, the trade structure lacks of diversity, the supporting industries are single, and the competitive is weak in Yunnan.

III. SUGGESTIONS

3.1 Adjusting industrial structure.

With optimizing its labor-intensive industries, Yunnan should positively acted in developing capital-and technology-intensive industries and vigorously promoting the development of strategic emerging industries and advanced manufacturing industries. Import and export enterprises should increase investment in scientific and technological research, introduce high-quality human capital, moreover, accelerate the transformation and upgrade foreign trade.

3.2 Expanding the utilization of foreign direct investment

The study shows that FDI is one of the factors which leads to the differences of economic growth between eastern and Western regions in China. Under the background of "the Belt and Road" incentive, central government should expand investments and increase policy supports for Yunnan, vigorously promote the infrastructure construction of interconnection. Yunnan province should fully utilize the advantages of low labor cost, abundant resources and special location. In order to solve the problem of insufficient development and lack of technology, Yunnan also should

attract much foreign direct investment and improve the quality and the level of FDI.

3.3 Diversifying the development of foreign trade.

Firstly, Yunnan's foreign trade is mainly implemented by state-owned enterprises. The government should formulate policies to support and encourage private companies to engage in international trade and improve the development environment for enterprises, and to promote the diversification of trade entities.

Secondly, the government should promote the diversification of traded goods, enterprises should develop high and new technology to promote the transformation of import and export products to be high value-added scientific and technological products, and improve the level of import and export commodities.

Lastly, for expanding trade markets, Yunnan should strengthen the coincidence with the regional trade in the area in eastern coastal and along the Silk Road, deepen foreign cooperation and exchanges with ASEAN and South Asia. At the same time, Yunnan should develop effective partnerships with European and American regions to restrain trade risks.

ACKNOWLEDGMENT

As this thesis is completed, I would like to express my sincere gratitude to those who help me with this paper. Firstly, I would like to express my sincere appreciation to my mentor, Professor Lin who gives me the careful guidance. Secondly, thanks to my classmates who helped me a lot. Last, I also would like to express my gratitude to my dear family who are supporting me a lot in my study.

REFERENCES

[1] Q. Du, P. Liang, "An Analysis of Yunnan Foreign Trade Performance since China Entry into WTO," *Exploration of Economic problems*, vol.5, 2012, pp.185 / 190.

[2] L. Ge, "Research on the Development of Frontier Trade in Yunnan Province," *Central University for Nationalities*, 2012.

[3] M. Cheng, "Characteristics and Problems of Yunnan Foreign Trade Development Mode," *Economic Research Guide*, vol.5, 2014, pp. 197-199.

[4] N. Huang, "Analysis of the Development Characteristics of Yunnan's Foreign Trade," *Foreign Economic and Trade*, vol.7, 2015, pp. 21-23.

[5] J.B. Fu, H.X. Luo, "New Thinking on Yunnan's Opening Up under the 'New Normal'," *Economic Research Guide*, vol.12, 2015, pp. 52-55.

[6] Y.F. Long, H.N. Li, "Analysis of Yunnan's Foreign Trade Prospects under the Background of 'One Belt and One Road'," *Modern Communication*, vol.18, 2016, pp.39-40.

[7] Q. Yang, H.B. Zhang, X.B. Guo, "Study on the Boarder Opening to integrate with the 'one belt and one road' Initiative: taking Yunnan as an Example," *Academic Exploration*, vol.7, 2017, pp.89-93.

[8] Y.S. Zhang, "'One Belt and One Road' and Yunnan's foreign economic development," *Academic Exploration*, vol.7, 2016, pp.12-18.

[9] Q. Huo, H. Liu, "The Path and Countermeasures of Yunnan's Integration into 'the Belt and Road' and the Yangtze River Economic Belt," *Foreign Trade*, vol.11, 2017, pp. 90-92.

[10] Q.X. Dong, "Yunnan Province Integrates National 'One Belt and One Road' Construction," *Yunnan University*, 2018.

[11] L. Wu, F.Y. Cao, "Historical Perspective, Problems and Solutions to Yunnan's Opening-up," *Ideological Front*, vol.3, 2018, pp.83-93.

[12] Yunnan Provincial Bureau of Statistics, 11 June 2019, "Average Wage of the Employees of Non-Private Unit in Cities and Towns of Yunnan Province in 2018". http://www.stats.yn.gov.cn/tjsj/jjxx/201906/t20190611_870495.html

[13] Yunnan Provincial Bureau of Statistics, "Yunnan Statistical Yearbook," 2013-2018. <http://www.stats.yn.gov.cn/tjsj/tjnj/>

[14] Kun Ming Customs District P.R. China. 2019 January 3, "Total Value of Import and Export Commodity Trade Mode of Yunnan Province from January to December in 2018". http://kunming.customs.gov.cn/kunming_customs/611308/611314/611316/2396837/index.html

[15] Kun Ming Customs District P.R. China. 2019 January 3, "Total value of import and export commodity countries (regions) in Yunnan Province from January to December in 2018". http://kunming.customs.gov.cn/kunming_customs/611308/611314/611316/2396823/index.html

[16] *China Statistical Yearbook. Yunnan Statistical Bureau*, 2013-2018.

[17] *China Statistical Yearbook Table 11-15. Yunnan Statistical Yearbook Table 6-8*, 2017.

[18] *Yunnan Statistical Yearbook, Table 6-4*, 2017.

[19] Y. Tang, H.S. Luo, L.H. Wang. "Thoughts on Regional Economic Disparities and Coordinated Development in Yunnan Province," *Yunnan Geographic Environment Research*, vol.1, 2011, pp. 92-98.

[20] M.Y. Dong, "Reflections on Yunnan's Industrial Structure Adjustment under the New Normal Economy," *China Commerce*, vol.6, 2019, pp. 218-219.

[21] M.K. Gao, Z. Han, Q.L. Han, Y.J. Zhao, J.X. Jin, "Study on the Export Status and Development Direction of Yunnan Province," *Foreign Trade and Economic Cooperation*, vol.06, 2018, pp.40-42.