

“One Belt One Road”- “Going out” Route Choice of Chinese Enterprises

Yudong Hou

School of Economics, Wuhan University of Technology, Wuhan 430070, China

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Abstract. As the development and enhancement of economy and national power, our country has become an important engine of the world economy. “One Belt One Road” is conducive to the sustainable development of China's economy, and also the common needs of the countries along the way. “One Belt One Road” provides convenient conditions, good investment environment and new cooperation areas for “going out” of Chinese enterprises. The construction of “One Belt One Road” will effectively promote the adjustment of economic structure and further promote China's economic transformation and upgrading.

1. Introduction

In recent years, under the guidance of national strategy of “going out”, lots of Chinese large enterprises, especially large state-owned enterprises, go abroad and continue to expand overseas business, expand foreign investment. “One Belt And One Road” (“OBOR”) is the abbreviation of “silk Road economic Belt” and “21st century Marine silk Road”. The construction of “One Belt One Road” is a new round of opening to the outside world with new ideas and methods that our country made under the profound historical changes in domestic and abroad. Through the construction of “OBOR”, expanding the opening level will effectively promote the adjustment of economic structure and fatherly promote Chinese economic transformation and upgrading. OBOR aims to develop economic partnership with countries aside, under the principle of peace and development.

2. “OBOR” will realize a win-win situation for China and countries aside

The proposal of “OBOR” is not only conducive to the sustainable development of Chinese economy, but also the common demand of countries aside. “OBOR” creates new opportunities of advantage complement, openness and development for all the countries aside. As the development and enhancement of economy and national power, our country has become an important engine of the world economy. “OBOR” area covers 26 countries or regions with a population of 4.4 billion, held 63% of the world population. This area will produce the economic benefits of \$21 trillion, accounting for 29% of the world economic aggregate [1]. “OBOR” area, the longest economic corridor and the largest market in the world, will produce amount of investment opportunities and will change China.

2.1 “OBOR” area has further economic development potential

On the one hand, the population of “OBOR” is large while the economic development level is relatively low. So “OBOR” area has larger economic development space. In 2013, the population of “OBOR” is 4.35 billion of 57 countries, held 61.1% of the world population, but the per capita GDP is only \$5050, less than half the world average [2]. On the other hand, "area" along the country's economy of “OBOR” area presents a good development trend. Many economic growth indexes are better than the world average. Data from the World Bank showed in table 1, except that trade growth rate is lower than the global average during the period of 1990-2000, all economic growth indexes are higher than the world average with excellent performance during the three periods.

Table 1 Comparison between the world and “OBOR”

Year	Economic growth rate (%)		Trade growth rate (%)		Investment growth rate (%)	
	World	“OBOR”	World	“OBOR”	World	“OBOR”
1990-2000	2.8	3.7	21.0	17.4	6.4	11.3
2000-2010	2.6	7.6	1.5	18.9	9.0	14.8
2010-2013	2.4	4.7	2.8	6.2	9.3	13.9

Especially after the financial crisis, central Asia, Southeast Asia and other developing countries maintain rapid growth. The “silk road” countries, “bottleneck” and “weak” area between the European economic circle and the Asia Pacific economic circle, are in renaissance era (fig.1, data from IMF). The Silk Road countries include 5 countries of central Asia, 5 countries of ASEAN, Russia and China; Pacific Rim countries include USA, Japan, Canada and Australia.

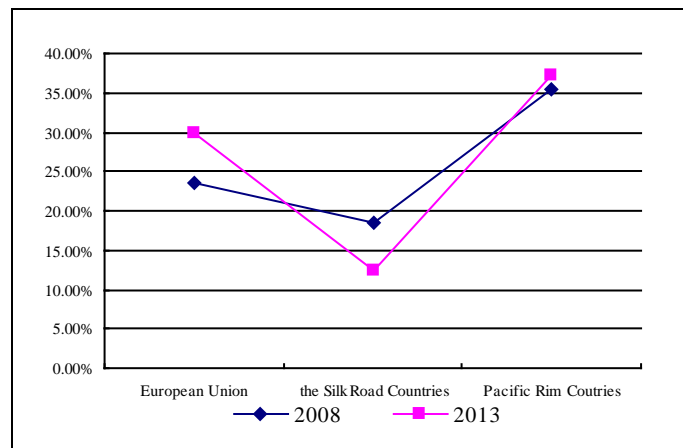


Fig. 1 Economic proportion of “OBOR” area and other area

2.2 “OBOR” meets the development need of countries aside

With the rise of emerging economy groups, global governance rights will be more diffuse and the leadership of superpower will be weakened. Under the difficulties of interest coordination, multilateral negotiations are suffocated. Developed countries tend to develop high level free trade area, service trade area. Developed countries will reform regulatory policy of domestic economy and regional mechanism construction, such as the investment agreement [3]. They hope that through the establishment of the high level free trade area and investment agreements to enhance their influence on the world.

Along the Silk Road, Majority of countries are developing or transition countries. Some of them have just joined the WTO for a short time. At present, there are many difficulties for them to adapt to the higher level area mechanism. For instance, Russia formally joined the WTO on August 22, 2012, Yemen has just approved in 2013. Uzbekistan, Afghanistan, Iran and so on is still outside the WTO.

2.3 “OBOR” countries have good cooperation basis

More than two thousand years ago, the ancient Silk Road has greatly promoted the economic exchanges and personnel exchanges between countries along the road. The Silk Road created a successful model for the ancient international exchanges and cooperation, formed the profound accumulation, and left a precious spiritual wealth. “OBOR” get positive response of countries of “OBOR” area. Until now, there are more than countries that taken an active part in “OBOR”. Along “OBOR”, most countries are developing countries. Economic development level is similar. Their industries are highly complementary, cooperation and development potential. As key areas of cooperation, infrastructure interconnectivity of most countries along “OBOR” is relatively weak. China has rich experience in the infrastructure construction, which will be helpful for enhancing the level of regional connectivity. As is shown in fig.3, data from “ENR”, US.

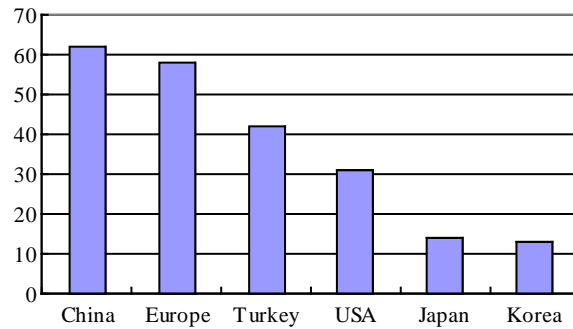


Fig. 3 Amount of top 250 international contractors of Shortlisted countries

3. “OBOR” provides opportunities for the enterprise “going out”

Chairman Xi Jinping pointed out that the basic connotation of “OBOR” is communication. Along “OBOR”, we should use the strategy of “from point to line and from line to face”, until forming the development pattern of regional cooperation.

3.1 Providing convenient conditions

Through the implementation of the “OBOR” strategic, it is important to ensure the policy communication, trade openness and the road connectivity between China and countries along the road. As for transportation infrastructure, we should achieve interconnectivity of countries along the “OBOR” [4]. Gradually, three-dimensional thoroughfare will be formed between China and countries along the road, such as Southeast Asia, west Asia, South Asia area. The complement of cross-border transportation infrastructure is not only beneficial to reduce logistics cost, promote the development of national economy, but also provide convenient conditions for the enterprise personnel exchanges which will promote Chinese enterprises "going out".

3.2 Providing a peaceful environment

At present, the most threatening risk for Chinese private enterprises "going out" is foreign political risk [5]. With the prevailing of international trade protectionism and the rising power of Chinese economy, more and more governments use political intervention to effect investment industry of Chinese enterprises, which bring big loss to Chinese enterprises in foreign economic activities. “OBOR” is essentially cooperation in peace, tolerance and win-win situation, which committed to constructing a safe, reliable, prosperous and peaceful environment for countries along the road.

3.3 Providing new cooperation areas

“OBOR” is a new platform that helping to realize political trust, economic reciprocal and culture appreciation. In the 30 years of reform and opening-up, Chinese science and technology have developed rapidly, especially in the railway, the Internet and other aspects. At the same time, there are abundant petroleum and natural gas in central Asia, west Asia and other regions. These place are world's major energy and strategy resources supply basis. so our country can cooperate with countries along the “OBOR” in the field of transportation, energy development as well as agriculture, textile, chemical industry, communication, finance, science and technology. Furthermore, we can expand more aspects such as education, culture and tourism cooperation, which provides new areas for Chinese enterprises "going out".

4. Problems in the implement “OBOR”

Firstly, countries along the “OBOR” developed slowly. More money is need when enterprises going out. Their infrastructure construction is outdated. The investment project cycle is long. Furthermore, there are risks in the foreign investment and there is a certain degree of trade barriers.

Secondly, some countries’ political relationships with China are not stable, so there are misgivings for enterprises to invest in those countries. We have boundary problems with some

countries, so these countries are fear for Chinese development. And there a few foreign powers stirred up relationship among countries. All above conditions have affected the Chinese enterprises going out.

Thirdly, enterprises always invest alone, few of them are united. When enterprises invest overseas alone, they will be effected by many restricts, such as capital and foreign environment. So it is difficult to form scale benefit and industrial chain integration.

5. Summary

“OBOR”, put forward by the Chinese government, provides a favorable way for Chinese companies to “go out”. This is a very good development opportunity for enterprises, so enterprises must seize the opportunity, seeking greater development for their company. At the same time, enterprises also face some challenges. Companies should understand the situation clearly and find good investment opportunities.

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