China's Investment Abroad and Imports to Countries Along the Belt and Road

Wang Kaiwen

Abstract—Belt and Road is an open regional economic cooperation system. The strategy of Belt and Road is proposed to promote economic development and trade cooperation between China and the countries along the route, and to jointly build a community of shared interests and destiny between China and the countries along the route.

Under the current international background of global economic integration and trade protectionism, Researching on China’s investment abroad and imports to countries along the Belt and Road has strong practical significance.

This article analyzes the status quo of China’s investment and imports in countries along the Belt and Road, studies the existing problems, and proposes countermeasures.

Index Terms—Belt and Road, investment abroad, import.

I. INTRODUCTION

In September and October 2013, during his visit to Kazakhstan, Indonesia and Southeast Asian countries, Chinese President Xi Jinping successively proposed the "Silk Road Economic Belt" and the "21st Century Maritime Silk Road" initiative, which attracted great attention from the international community.

In January 2016, the Asian Infrastructure Investment Bank was established and put into operation. China’s Belt and Road initiative has officially entered the stage of comprehensive promotion. As of 2019, more than 200 countries and international organizations have actively responded to the Belt and Road initiative. More than 150 countries and international organizations have signed cooperation agreements.

In the past decade, investments abroad from emerging markets and developing countries grew rapidly and became the main new driving force of the world economy. Since the open-door policy and economic reform performed in 1978, China gradually integrated into the world economy with its remarkable achievements through a market-oriented economy and vigorously developing foreign economic and trade. The Belt and Road initiative is of great significance to the change of China's overseas investment pattern. From 2013 to 2019, China has invested a total of US$117.31 billion in direct investment in countries along the route, and established more than 10,000 overseas companies.

The sudden outbreak of COVID-19 has posed a serious threat to the safety and health of people around the world. At the same time, the world economy is suffering severe shocks, the industrial and supply chain circulation is hampered, international trade and investment is shrinking, and the commodity market is in turmoil. Some countries, developing countries in particular, are facing serious difficulties in economic and social development. It is fair to say that all countries in the world are facing major risks and challenges. Against this backdrop, solidarity and cooperation are all the more important.

Belt and road initiative to discuss, and sharing the principle of peaceful cooperation, open inclusive, learn each other mutual learning, mutual benefit and win-win situation as the core spirit of the silk road as the guidance, always emphasizes the unity and cooperation, build the fund of the silk road, perfecting China's cooperation with central and eastern European countries (such as "17 + 1 cooperation"), cause more and more countries warm response. It has not only given a strong boost to economic cooperation among countries, but also played an important role in improving the global development model and global governance and promoting the sound development of economic globalization. At present, it is all the more important for us to have a strategic vision, foster a global vision, promote unity and cooperation, and strive to steer the course of progress in the face of profound changes unseen in a century.

China has been the world's second largest importer of goods for 10 consecutive years. 2019 China Import Development Report shows that as of 2019, China's import sources have covered more than 230 countries and regions around the world. The Belt and Road initiative was proposed. It has an important impact on China's import structure.

This article adopts the definition of 65 countries (including China) along the Belt and Road.

II. ANALYSIS OF THE STATUS QUO OF CHINA'S DIRECT INVESTMENT IN COUNTRIES ALONG THE BELT AND ROAD

A. The scale of China's Direct Investment in Countries along the Belt and Road

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<tbody>
<tr>
<td>Stock</td>
<td>126.3</td>
<td>136.6</td>
<td>189.3</td>
<td>153.4</td>
<td>201.7</td>
<td>178.9</td>
<td>186.9</td>
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</table>

Source: 2019 statistical Bulletin of China outward foreign direct investment

It can be seen from Table I that from 2013 to 2019, China's investment in countries along the Belt and Road has shown an upward trend, with the highest value in 2017 at US$20.17 billion. Among them, the amount of investment in 2016 and

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2018 declined compared with the previous year, and the year-on-year decline was the most obvious in 2016, reaching 19.0%.

B. China’s Direct Investment Industry Composition in Countries along the Belt and Road

Table II lists the main industry distribution of China’s direct investment in countries along the Belt and Road.

Among them, most of the funds flowed to the manufacturing industry, followed by wholesale and retail industries, with less investment in tertiary industries such as scientific and technological research. [1]

C. Country Composition of China’s Direct Investment in Countries along the Belt and Road

Table III lists as of 2019, among all the Belt and Road countries, the top ten countries in China's foreign investment stock.

Among them, the cumulative investment in Singapore exceeds 50 billion U.S. dollars, followed by Indonesia and Russia, and that of other countries do not exceed 10 billion U.S. dollars.

III. PROBLEMS OF CHINA’S DIRECT INVESTMENT IN COUNTRIES ALONG THE BELT AND ROAD

Chinese domestic investors usually give priority to countries with more advanced technology or richer resources such as Singapore, Indonesia, and Russia [3]. This directly leads to the concentration of China’s investment in countries along the Belt and Road, which easily leads to more fierce competition among enterprises, and it is easy to lead to uneven development of countries along the route, which to a certain extent is not conducive to China’s long-term investment in countries along the Belt and Road.

Since most of the countries along the Belt and Road are developing countries with large populations, China’s investment in these countries is concentrated in labor-intensive industries, while the lack of investment in knowledge-intensive industries has led to China’s The investment of countries along the Belt and Road lacks technological competitiveness [2].

IV. RECOMMENDATIONS FOR CHINA’S FOREIGN INVESTMENT

Most investors in China choose to invest in countries with richer resources or relatively advanced technology. Investors need to change their investment concepts from resource-oriented to consumer-oriented. This will benefit China’s investment in countries along the Belt and Road. [3]

Companies that invest abroad also need to continuously optimize their industrial structure, adapt to the development of overseas markets, increase investment in their core technologies, improve industrial competitiveness, learn from the foreign investment experience of developed countries, and appropriately develop knowledge-intensive industries.

V. ANALYSIS OF THE CURRENT SITUATION OF CHINA’S IMPORT TRADE FROM COUNTRIES ALONG THE BELT AND ROAD

A. China’s Import Trade Scale from Countries along the Belt and Road

Table IV shows the scale of China’s import trade from countries along the Belt and Road.

Table V shows the proportion of China’s import trade from countries along the Belt and Road to the total size of China’s import trade.

Source: UN Comtrade
Fig. 1. 2013-2019 Scale of China's import trade from countries along the Belt and Road route (Billions of US dollars).

Fig. 2: 2013-2019 Proportion of exports to China in total exports of countries along the Belt and Road route

Table VI: 2013-2019 Proportion of exports to China in total exports of countries along the Belt and Road route

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<tbody>
<tr>
<td>Proportion</td>
<td>7.69</td>
<td>8.98</td>
<td>9.53</td>
<td>9.79</td>
<td>9.91</td>
<td>10.22</td>
<td>10.25%</td>
</tr>
</tbody>
</table>

Source: UN comtrade

Fig. 3. 2013-2019 Proportion of exports to China in total exports of countries along the Belt and Road route

As shown in the above three charts, from 2013 to 2019, China’s total imports from countries along the Belt and Road have shown an overall upward trend. China is an important foreign trade partner of countries along the Belt and Road.

A. The Technical Structure of China’s Imports of Commodities from Countries along the Belt and Road

Table VII: 2013-2019 technical structure of China’s imports of commodities from countries along the “Belt and Road”

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<tbody>
<tr>
<td>Low-tech products</td>
<td>3.76%</td>
<td>5.44%</td>
<td>5.61%</td>
<td>4.97%</td>
<td>4.24%</td>
<td>4.21%</td>
<td>4.84%</td>
</tr>
<tr>
<td>Medium technical products</td>
<td>17.32</td>
<td>18.00</td>
<td>18.76</td>
<td>20.42</td>
<td>21.31</td>
<td>21.7</td>
<td>21.40</td>
</tr>
<tr>
<td>Technical</td>
<td>6%</td>
<td>6%</td>
<td>6%</td>
<td>6%</td>
<td>6%</td>
<td>6%</td>
<td>6%</td>
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</table>

Source: UN comtrade

Fig. 4. 2013-2019 The technical structure of China’s imports of commodities from countries along the “Belt and Road”

As shown in Table VII, in the technical structure of China’s imports of goods from countries along the Belt and Road, medium-tech products are the largest category of imported goods, and they are showing an increasing trend, and the share of high-tech products has declined first, after rising. Low-tech products accounted for the least share of imports, but this share has risen overall.

B. The Regional Structure of China’s Imports from Countries along the Belt and Road

Table VIII: 2013-2019 China’s import trade from ten countries accounted for the proportion of China’s import trade from countries along the Belt and Road

<table>
<thead>
<tr>
<th>Countries</th>
<th>Proportion</th>
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<tbody>
<tr>
<td>Malaysia</td>
<td>13.90%</td>
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<tr>
<td>Saudi Arabia</td>
<td>7.87%</td>
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<tr>
<td>Russia</td>
<td>8.67%</td>
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<tr>
<td>Thailand</td>
<td>9.72%</td>
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<tr>
<td>Singapore</td>
<td>7.19%</td>
</tr>
<tr>
<td>Indonesia</td>
<td>5.17%</td>
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<tr>
<td>Iran</td>
<td>4.19%</td>
</tr>
<tr>
<td>Philippines</td>
<td>4.96%</td>
</tr>
<tr>
<td>India</td>
<td>3.50%</td>
</tr>
<tr>
<td>Oman</td>
<td>3.93%</td>
</tr>
</tbody>
</table>

Source: UN comtrade

From 2013 to 2019, the top 10 countries that China imported from countries along the Belt and Road and their proportions to China’s total imports are shown in Table VIII. As of 2019, China’s import trade from these ten countries accounted for 69.1% of China’s total import trade from countries along the Belt and Road [4]. In other words, China’s imports from countries along the Belt and Road are highly concentrated in these 10 countries.

VI. Problems in the Development of China’s Import Trade from Countries along the Belt and Road

Although the overall trend of China’s import trade from countries along the Belt and Road has been expanding, the import trade from these countries accounted for less than 30% of China’s total import trade. China’s import trade from these countries accounted for just over 10% of the total
export of these countries.

This shows that the countries along the Belt and Road are not highly dependent on China, so there is still a lot of room for improvement in China's import trade from countries along the Belt and Road.

The main obstacles China faces in expanding import trade from countries along the Belt and Road include:

First, regard to the domestic political instability in some import source countries.

From 2006 to 2019, there were 58 armed conflicts around the world, of which 24 armed conflicts occurred in countries along the Belt and Road [4].

The political instability of some import source countries will directly affect product production, financial services, logistics services and other activities, which in turn will affect economic and trade exchanges with China.

And then, regard to the Underdeveloped infrastructure in some import source countries.

The infrastructure that affects export trade includes three categories: transportation infrastructure, energy infrastructure, and network infrastructure.

Because the three types of infrastructure in some countries along the Belt and Road are relatively backward, they increase trade costs and restrict China's import trade in these countries.

Thirdly, regard to some import source countries have not signed a free trade zone agreement.

According to WTO data, there are a total of 286 regional trade agreements signed by countries around the world, and agreements signed by China account for 4.9% of the total [5].

Since China implemented its free trade zone strategy, breakthroughs have been made. However, the agreements signed by China mainly involve Southeast Asian countries and rarely involve Central Asia, Central and Eastern Europe, West Asia and the Middle East.

In the last, there are some import source countries have low levels of trade convenience.

The World Economic Forum released the "Global Trade Facilitation" report in 2016, which scored and ranked the level of trade facilitation in 136 countries in 2016 [6].

The data shows that 136 countries include 54 countries along the Belt and Road, of which 19 countries rank in the top 50, 23 countries rank 50 to 100, and 12 countries rank after 100, such as Tajikistan, Pakistan, Iran, Yemen etc. [6].

The low level of trade facilitation is mainly reflected in the long customs clearance time and high cost. The low level of trade facilitation in some countries along the Belt and Road has directly affected China’s import trade from these countries.

VII. CHINA’S RESPONSE STRATEGY TO EXPAND IMPORT TRADE FROM COUNTRIES ALONG THE BELT AND ROAD

On the one hand, China must pay attention to preventing political risks.

Although some import source countries are politically unstable, these countries, such as Iraq and Saudi Arabia, have abundant natural resources and can provide important raw materials for economic development.

China should take corresponding measures to prevent political risks. On the one hand, improve the political risk assessment mechanism and early warning mechanism. On the other hand, improve the enterprise's awareness of risk prevention.

The possible impacts of political risks on China’s import trade include: delayed delivery, inability to produce goods, detention of goods, damage to goods in transit, etc.

When importing goods from such countries, companies should pay close attention to the latest political developments in the country of origin, choose appropriate settlement tools, and insure corresponding insurance.

On the other hand, the government must adjust import structure.

This article divides the countries along the Belt and Road into four categories: high-income countries, Southeast Asian developing countries, resource-rich countries, and other countries.

First, appropriately increase imports of consumer goods from high-income countries.

High-income countries include 17 countries including Singapore, Brunei, Poland and the Czech Republic.[7] Expanding the import of consumer goods from high-income countries can realize the diversification of the types of imported goods and the diversification of the import regional structure, which will help improve the level of consumer welfare and ease international trade frictions.

Second, gradually transfer labor-intensive industries to developing countries in Southeast Asia.

The main reason for choosing developing countries in Southeast Asia is that compared with other developing countries along the Belt and Road, Southeast Asian countries have relatively better infrastructure, relatively low trade costs, and have the basic conditions to undertake labor-intensive industries.

Third, expand the import of raw materials from resource-rich countries, especially important raw materials necessary for economic development.

The countries along the route with more than 50% of fuel exports include 11 countries including Iraq, Brunei, and Kuwait. The countries along the route with more than 10% of ore and metal exports include 6 countries including Mongolia, Armenia, Bahrain, and Georgia.

In the end, import products that other countries have comparative advantages [7].

This article defines the countries along the route that do not belong to the above three categories as the remaining countries. For such countries, China can focus on importing products that these countries have comparative advantages.

Moreover, China should help countries along the route to carry out infrastructure construction.

First, speed up the construction of transportation infrastructure in areas along the route. The backward transportation infrastructure has led to high trade costs and low levels of trade facilitation. Promote the signing of the “International Road Transport Facilitation Agreement” by countries along the route to enhance the level of trade facilitation; speed up the construction of ports along the route, and countries have formed a port cooperation mechanism; In the process, countries along the route strengthened communication and unified railway gauge standards, laying the foundation for long-term trade exchanges in the future.[8]

Second, speed up the construction of energy infrastructure
in the areas along the route, reduce energy trade costs, and improve trade facilitation.

Third, increase assistance for infrastructure construction in backward areas along the route. Some countries along the route have low-income levels, lack of domestic infrastructure construction funds and labor shortages. China can increase investment in infrastructure construction in these countries and provide technical assistance to achieve a win-win situation.

In the context of the epidemic, the belt and road all the way into the unity cooperation, tackling the challenge to active docking the UN sustainable development agenda in 2030, promote the cooperation project accurate docking 17 of the United Nations sustainable development goals, especially to eliminate poverty and hunger, improve people's health and well-being, and promote technology innovation and so on. We should adhere to multilateralism, integrate international cooperation under the framework of belt and road with multilateral and bilateral cooperation such as the Shanghai Cooperation Organization, and promote it as a whole.

On the one hand, we need to strengthen international macroeconomic policy coordination and promote an orderly resumption of work and production through the belt and road construction. The belt and road should be used to support the multilateral trading system with the WTO at its core, maintain the stability of regional and global industrial and supply chains, realize the normal flow of goods, services and people, restore the industries affected by the epidemic, and promote sound interaction between developed and emerging economies. At the same time, we need to strengthen policy communication, close policy coordination and synergize development strategies with relevant countries. On the basis of the prevention and control of the epidemic, we should follow the professional advice of the World Health Organization and other relevant international organizations to promote economic recovery and help relevant economies reintegrate into the global value chain. At the same time, we will foster new areas of economic growth in e-commerce, smart cities, artificial intelligence and the application of big data technologies.

On the other hand, we need to promote the construction of the "Digital Silk Road" to provide catalysts for economic and social recovery. Digital economy has always been a highlight of belt and road cooperation. During the epidemic period, the Silk Road e-commerce witnessed an explosive growth, and the e-commerce platform effectively connected the world's demand for epidemic prevention materials. It should be noted that the belt and road digital infrastructure has a broad space for improvement. In the future, cooperation with countries along the Belt and Road, especially developing countries, should be strengthened in such areas as network infrastructure construction, digital economy and cyber security.

VIII. SUMMARY

This article analyzes the status quo of China’s investment in countries along the Belt and Road and China’s imports from countries along the Belt and Road, summarizes the characteristics of China’s foreign investment and imports, points out the potential problems and hidden dangers, and proposes corresponding Countermeasures.

In today's economic globalization, no country can stay aside. After the epidemic, trade protectionism has a tendency to make a comeback. Under such a complicated international situation, studying the Belt and Road is of great significance. "The Silk Road Economic Belt” and "the 21st-Century Maritime Silk Road” initiative aims to promote economic factors flow orderly and freely, allocate resources efficiently, and integrate market deeply push to develop a broader, higher, and deeper level regional cooperation and develop open, inclusive and balanced, widely beneficial regional economic cooperation framework.

Belt and Road is China’s new initiative to promote global connectivity and win-win cooperation. It is also China's active exploration and practice of global governance and the concept of a community with a shared future for mankind. Over the past eight years, the Belt and Road has yielded fruitful results. It not only gathers strong impetus for development, but also shows the inevitable trend of mankind toward a community of shared future.

In 2020, the sudden COVID-19 epidemic ravaged the world, international trade fell off a cliff, and the global supply chain, industrial chain and value chain were in urgent need. However, the construction of Belt and Road continued. Infrastructure projects such as the Budapest-Belgrade Railway, China-Laos Railway, Jakarta-Bandung High-speed Railway, China-Bangladesh Padma Bridge, and the second phase of the Karakoram Highway have been successfully restored without delay. In the first nine months of 2020, Chinese companies' non-financial direct investment in countries along the Belt and Road increased by 29.7% year on year, despite the general suspension of cross-border investment and financing...

By turning consensus into action, the Belt and Road is gradually becoming a powerful engine for building a community with a shared future for mankind. At the critical moment when the epidemic threatens the fate of mankind, the value pursuit of the Belt and Road is increasingly shining. High-level connectivity has enabled the continuous supply of large quantities of epidemic prevention materials thousands of miles away. The cooperation philosophy of extensive consultation, joint contribution and shared benefits has enabled countries to help each other in times of crisis. The open and inclusive growth model has provided tangible guarantees for global economic recovery after the epidemic.

In the modern history of mankind, the old concept of development, divided and antagonistic, has solidified an international landscape full of disputes and detrimental to common development. Today, the vision of connectivity, inclusive cooperation and mutual learning pioneered by the Belt and Road Initiative is opening a new chapter in the history of human civilization. "China has put forward the Belt and Road initiative to build Bridges between peoples through peace and win-win. This is the cornerstone of development in the 21st century. It marks globalization under different conditions -- globalization based on equality... To promote peaceful interaction among mankind." So says Swiss economist Peter Corsini.

Influenced by the outbreak, the global economy has fallen into recession, especially affecting the development of countries along the Belt and Road route. Some countries have
seen their demand for infrastructure, trade, investment and other fields shrink. Many countries are too busy with epidemic prevention and control to resume work and production, or too eager to resume work and production only to make the epidemic worse. The orders of many the belt and road overseas parks have been greatly reduced, and it is more difficult to attract investment. Many enterprises have turned to the production of medical materials. All this has led to the increasing pressure of economic recovery in relevant countries. In this regard, it is particularly important to build the belt and road into a road of recovery that promotes economic and social recovery.

Belt and road originated in China, but belongs to the world. It is an open and inclusive platform for cooperation and an international public good jointly created by all parties. All the way to take belt and road quality development, promote to build human destiny community actively build unity to the challenge of cooperation way, safeguarding the health of the people's health and safety of the road, the road to recovery, promote economic and social recovery growth path, release the development potential of the belt and road initiative in responding to the global crisis, and realize the sustainable development of huge energy.

In retrospect, there are precedents for major international crises in both promoting international cooperation and intensifying international competition. The trust deficit, the peace deficit, the development deficit and the governance deficit are serious challenges facing mankind, and mankind can make the right choices. It must be noted that the most effective way to deal with major international crises is not to build a fortress and adopt beggar-thy-neighbor policies, but to engage in connectivity, openness and inclusiveness. The belt and road initiative put forward by China is a major measure to actively respond to the major development, transformation and adjustment of the world and to focus on the common dream of people in all countries to pursue peace and development.

AUTHOR CONTRIBUTION

Wang Kaiwen conducted the research and analyzed the data. The author had approved the final version.

CONFLICT OF INTEREST

The author declares no conflict of interest.

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REFERENCES


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She once worked in the credit card department of Shanghai Pudong Development Bank as an administrative assistant (intern). The main interest of the present research is political economy.