Development Path of International Trade in the Yangtze River Delta Region under the"Belt and Road Initiative"

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Abstract: The Yangtze River Delta region is an important meeting point for China’s “Belt and Road Initiative” and the Yangtze River Economic Belt. Regional Integration in the Yangtze River Delta and the “Belt and Road Initiative” will help that area to seize the important opportunities of the two major national strategies, transform regional advantages into development advantages, and achieve high-quality development goals. In this context, based on the analysis of trade development in the Yangtze River Delta, this article proposes a path for high-quality development of trade in the Yangtze River Delta. The area should speed up the process of integration construction and give play to regional economies of scale; actively take advantage of its own port advantages and take advantage of the "Belt and Road Initiative" bonus to achieve regional trade infrastructure connectivity; more actively participate in the "Belt and Road" construction and establish effective Regional cooperation mechanism to broaden international trade development channels in the Yangtze River Delta and promote high-quality trade development.

1. Introduction

In recent years, as global economic growth has slowed, the trend of regional economic integration is getting stronger and stronger, but economic development globalization has encountered serious challenges. Especially the trade frictions between the United States and China have brought us enlightenment. We must pay attention to the development and utilization of market potential at home and abroad, seize the development opportunities in core regions and expand the degree of opening up, and achieve mutual benefit and win-win results at the national and regional levels. Chinese General Secretary Xi Jinping proposed the “Belt and Road” initiative in 2013, which led to the gradual rise of cooperation among the countries along the line and provided a new direction for China's opening up. In 2018, the Yangtze River Delta regional integration construction has become a national strategy. As an important interchange between the “One Belt and One Road” and the Yangtze River Economic Belt, it is particularly important to grasp the development opportunities of the “Belt and Road” in the Yangtze River Delta.

On the one hand, as China's domestic factor costs increase and institutional constraints change, low-end foundry models that used to rely heavily on exports have gradually transformed into innovation-driven, market-driven domestic value chains. The "Belt and Road" cooperation initiative provides strategic opportunities for high-quality development of trade in the Yangtze River Delta region. The area can take this opportunity to create more favourable export-oriented economic conditions, to promote the comprehensive development of the region and forming a scale effect of development. In this way, we can enhance the core competitiveness of Yangtze River Delta region development, and its position in the value chain is enhanced. On the other hand, the Yangtze River Delta region, with Shanghai at its core, provides investment sources, linkage subjects, development experience and business opportunities for the “Belt and Road” construction, especially provides important support and a powerful engine for the “Belt and Road” construction. Its successful experience can be replicated and promoted to the construction of other domestic urban agglomerations to promote China's deeper reforms at a higher starting point and higher levels of opening up.
Therefore, how to make better use of the development opportunities of the “Belt and Road” initiative to further expand trade and improve the efficiency of trade? It has become one of the key issues to be paid attention to in Yangtze River Delta. By exploring the trading potential of the trading partners along the “Belt and Road”, we can better promote Yangtze River Delta region integration and high quality development.

2. Literature Review

Since the initiative was proposed in 2013, more and more scholars have begun to pay attention to the impact of the "Belt and Road" on China's international trade development. Most scholars start with the overall trade status between China and the countries along the “Belt and Road”, proving that the fulfilment of the “Belt and Road” initiative can effectively give impetus to the growth of China's international trade. Studies have shown that the “Belt and Road” can effectively alleviate the pressure on the United States TPP and TTIP, give full play to China's role in regional cooperation, improve China's welfare and terms of trade, and provide a new way for China to open up[1]. Effectively stimulate China's economic growth. In addition, some studies have shown that “Belt and Road” can effectively stimulate economic growth in countries along the route, improve the level of infrastructure construction, and stimulate employment and other social benefits in the countries along the route. However, some scholars hold a negative attitude and think that the weak factors of China's export trade include the decline of the global economy, the decline in domestic cost advantages, and the weakening of foreign investment attractiveness. In addition, the pulling effect on countries along the route is limited.

The "Belt and Road" has many countries or regions on, which are not the same as China's foreign trade development. From a macro perspective, some scholars have shown that trade between China and West Asia is highly complementary, while competitiveness is relatively weak [2]. The establishment of the West Asia Free Trade Area has encouraged the economic development and well-being of the residents of the two countries, but China's terms of trade may deteriorate. In addition, China has huge trading potential with CEE countries, Eastern Europe, ASEAN and countries along the "Maritime Silk Road"[3, 4]. From a micro perspective, the agricultural products between China and the countries along the route is less competitive than complementary. And has great potential in the trade of cultural products and cultural creative products, but there are imbalances between different countries and regions [6].

Since China's reform and opening-up, Yangtze River Delta, as an important economic growth pole in China, has developed rapidly in foreign trade relying on its superior geographical location and perfect infrastructure network. The total volume of import and export trade has always been at the leading level in China, and it has become the region with the strongest competitiveness in foreign trade and the fastest development speed in foreign trade [7, 8]. Therefore, it is becoming more and more popular. Many scholars began to focus on the development of foreign trade in the region. In general, the trade growth of the area is higher than that of other domestic economic circles in China. The import and export markets are gradually diversified, and the extent of using foreign capital is also gradually increasing. However, there are some problems such as low technical content of export commodities and high concentration of export markets [9]. In terms of the development of one city and three provinces in this region, although Shanghai has a strong spatial radiation effect, the linkage between cities in the region needs to be strengthened, and there are large differences in internal economic growth and foreign trade dependence [10]. The inter provincial trade in the region plays a more important function in economic growth than international trade [11], while the growth of FDI and the increase of domestic demand can effectively promote the expansion of import and export in this area. However, there are few studies have combined the “Belt and Road” initiative and Yangtze River Delta region.

3. An Analysis of the Present Situation of Trade Between the Yangtze River Delta and the Countries Along the "Belt and Road"
China has signed a memorandum of understanding with 123 countries, as well as 29 international organizations to jointly build the “One Belt and One Road” memorandum of understanding since the “Belt and Road Initiative” was bring forward, The “One Belt and One Road” construction with "six corridors, six roads, many countries and many ports" is being steadily implemented. With the support of the Silk Road Fund and government policies, the Yangtze River Delta region, as the frontiersman of China's reform and opening up and international trade, should actively combine its own advantages to maintain the coordinated development with the “One Belt and One Road” national trade strategy. But there are still many problems among them.

3.1. The Total Trade Volume of the Yangtze River Delta is Expanding, But the Proportion of Foreign Trade Volume to GDP is Declining

Since the financial crisis in 2008, the total trade volume of the Yangtze River Delta has illustrated a rising direction. It expanded from US $ 865.628 billion in 2009 to US $ 167.483 billion in 2018. This region is the strategic high ground of a new round of China's opening up platform, but the specific gravity of international trade in GDP, that is, the degree of trade dependence, has been declining. There are two main reasons: on the one hand, the economic level of the “three provinces and one city” in the Yangtze River Delta is very wide, especially the trade dependence level of Jiangsu and Anhui is obviously different from that of Shanghai and Zhejiang, which to a certain extent lowers the dependence of the whole region on foreign trade. On the other hand, with the global economic weakness and the rise of trade protectionism, the international trade of the Yangtze River Delta is affected to a certain degree. As a result, the Yangtze River Delta has gradually adapted to the trend of national reform, shifting from the traditional export-oriented economy to the domestic demand driven economy, making "consumption upgrading" a new GDP driving point.

![Figure 1. The development of international trade in the Yangtze River Delta.](image)

3.2. Significant Differences in Trade Between the Provinces and Cities of the Yangtze River Delta and the Countries Along the “Belt and Road”

The overall volume of bilateral imports and exports of the Yangtze River Delta along the “Belt and Road” has been expanding. From 2009 to 2018, the import and export volume of the region to the countries along the route increased from US $ 188.481 billion to US $ 407.719 billion. The average annual growth rate was 9.4%. Both imports and exports have improved significantly, and the increase in exports has been greater than imports. However, in Shanghai, Jiangsu, Zhejiang and Anhui provinces in the Yangtze River Delta, the gap in trade volume between Anhui Province and Shanghai, Jiangsu and Zhejiang are obvious. The main reason is that since the China’s reform and opening up, Jiangsu, Zhejiang, Shanghai, with its superior geographical location, relatively complete infrastructure network, and excellent open policies have made its foreign trade "explosive" growth, objectively increasing the difference with Anhui. In this regard, the region
should accelerate the development of trade integration, alleviate economic competition among various regions, promote the accelerated development of bilateral trade scale in Anhui Province, focus on establishing a value chain division system based on itself, and promote the distribution of three provinces and one city in different sections of the value chain share the big international market.

![Figure 2. Development of total trade between provinces and cities in the Yangtze River Delta and countries along the route.](image)

3.3. The Trade Intensities between The Yangtze River Delta Region and the Countries Along the “Belt and Road” Continue to Deepen, with Significant Regional Differences

The Trade Intensity Index (TII) is a commonly used indicator to measure the extent of interdependence of trade between two countries. It shows the proportion of a country's exports to a trading partner country as a proportion of its total exports and the proportion of its total imports as a proportion of world imports. The larger the value of this indicator, the closer the trade ties between the two countries or regions are. This article measures the extent of trade integration between the Yangtze River Delta and the countries or regions along the “Belt and Road”. And Table 1 is shown the results.

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>ASEAN</th>
<th>West Asia</th>
<th>Central Asia</th>
<th>South Asia</th>
<th>CEE</th>
<th>CIS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>1.044</td>
<td>1.459</td>
<td>1.013</td>
<td>0.768</td>
<td>1.350</td>
<td>0.564</td>
<td>0.753</td>
</tr>
<tr>
<td>2010</td>
<td>1.050</td>
<td>1.346</td>
<td>1.017</td>
<td>0.811</td>
<td>1.276</td>
<td>0.600</td>
<td>0.958</td>
</tr>
<tr>
<td>2011</td>
<td>1.073</td>
<td>1.372</td>
<td>1.060</td>
<td>0.867</td>
<td>1.282</td>
<td>0.577</td>
<td>1.002</td>
</tr>
<tr>
<td>2012</td>
<td>1.071</td>
<td>1.407</td>
<td>1.015</td>
<td>0.931</td>
<td>1.156</td>
<td>0.562</td>
<td>1.086</td>
</tr>
<tr>
<td>2013</td>
<td>1.104</td>
<td>1.497</td>
<td>1.021</td>
<td>0.986</td>
<td>1.232</td>
<td>0.526</td>
<td>1.131</td>
</tr>
<tr>
<td>2014</td>
<td>1.136</td>
<td>1.511</td>
<td>1.084</td>
<td>1.035</td>
<td>1.316</td>
<td>0.538</td>
<td>1.152</td>
</tr>
<tr>
<td>2015</td>
<td>1.155</td>
<td>1.532</td>
<td>1.068</td>
<td>0.989</td>
<td>1.528</td>
<td>0.523</td>
<td>1.050</td>
</tr>
<tr>
<td>2016</td>
<td>1.197</td>
<td>1.596</td>
<td>1.062</td>
<td>1.106</td>
<td>1.683</td>
<td>0.530</td>
<td>1.125</td>
</tr>
<tr>
<td>2017</td>
<td>1.153</td>
<td>1.510</td>
<td>1.040</td>
<td>0.878</td>
<td>1.559</td>
<td>0.537</td>
<td>1.118</td>
</tr>
<tr>
<td>2018</td>
<td>1.159</td>
<td>1.510</td>
<td>1.011</td>
<td>1.302</td>
<td>1.493</td>
<td>0.566</td>
<td>1.199</td>
</tr>
</tbody>
</table>

The results show that from 2009 to 2018, the region ’s trade integration index with countries along the “Belt and Road” has remained above the threshold of 1 and generally shows an upward trend, indicating that the region has close trade links with the countries along the “Belt and Road”, and continuously strengthened. In fact, during this period, with the gradual deepening of China’s
reform and opening up and the transformation and upgrading of industrial manufacturing, China has become a significant trading companion of the countries along the “Belt and Road”. As the leading region of China's opening up, the Yangtze River Delta ’s exports to countries along the “Belt and Road” have also raised slightly from 4.1% in 2009 to 5.6% in 2018. From the perspective of specific trading regions, except for the CEE countries, the trade integration between the Yangtze River Delta and other regions is greater than the threshold value 1, indicating that it has close trade links with these regions. Among them, the ASEAN and South Asian countries are the main trading partners of the Yangtze River Delta, and the trade links are the closest. The Central Asian countries have the largest increase in trade integration index, and gradually become another major trading partner of the Yangtze River Delta. With the further advancement of the “Belt and Road” in the future, the Yangtze River Delta ’s trade ties with the countries along the route will continue to strengthen steadily. At the same instant, the Yangtze River Delta should focus on strengthening trade with countries of central and Eastern Europe and promote the transformation of trade structure quality.

3.4. Trade Costs and Export Product Structure Restrict Trade Between the Yangtze River Delta and Countries along the Route.

Under the “Belt and Road Initiative”, trade between the Yangtze River Delta and the countries along the route is mainly constrained by cost and product mix. First, the hinterland of the Yangtze River Delta shipping centre should be radiated from sea to sea in both directions, but the trend of regional port hinterland enlargement and differentiation is gradually emerging, and the river-sea transhipment function within the Yangtze River Delta is also limited, which increases the trade cost to a certain extent, especially cooperation with countries of central and Eastern Europe. Although the opening of the China-Europe Train Line has shortened the time cost of trade between the Yangtze River Delta and Central and Eastern European countries, the economic cost has increased significantly, and is generally 20% higher than that of sea freight. Therefore, how to better establish a three-dimensional transportation network and reduce the space-time conversion cost of transportation has become an urgent problem in the Yangtze River Delta region. Secondly, the phenomenon of isomorphism of the internal industrial structure in the Yangtze River Delta still exists. Most of the products exported to the countries along the Belt and Road are concentrated in low value-added products, which hinders the growth of the value of export of the Yangtze River Delta.

4. Conclusion

In summary, with the successive growth of the Yangtze River Delta region, the role of international trade in stimulating regional economic growth has gradually declined. Trade with countries along the B&R route has gradually deepened, but the differences between provinces and cities in the region are obvious. With the decline of the status of international ports in the Yangtze River Delta, trade costs and product structure have restricted the further development of its trade. Therefore, in light of the above developments, this article proposes the following:

4.1. Give Impetus to the Regional Integration of the Yangtze River Delta to Achieve Economies of Scale.

There are gaps in the internal economic development of the Yangtze River Delta, especially in Anhui Province, which is newly integrated into the Yangtze River Delta regional integration, and the gap between Zhejiang Province, Jiangsu Province and Shanghai is large, but there are good trade complementarities between Shanghai and other three provinces. The Yangtze River Delta region should accelerate the construction of regional integration, actively integrate the factor endowments of the three provinces and one city, give full perform to their respective comparative advantage industries, and realize economies of scale. Give full perform to Shanghai's leading part, form a regional gravity center based on China, actively promote related provinces and cities to share Shanghai's export welfare, port welfare, etc., and promote the Yangtze River Delta region's export
trade volume to countries along the “Belt and Road”. On the other hand, in the face of the negative impact of population growth on export trade brought about by the integration of construction, the Yangtze River Delta should actively change the mode of trade development, from traditional external dependence to internal opening, and improve the regional consumption structure. Actively implement industrial integration, increase investment in scientific research, improve the quality of export products, increase product added value, and offset the negative effects of reduced foreign trade with economic benefits brought by the growth of domestic demand.

4.2. Actively Give Play to the Advantages of Its Own Ports and Use the AIIB to Achieve Regional Trade Infrastructure Connectivity.

At present, China is actively promoting base installation construction with the countries along the “Belt and Road”. Against this background, the Yangtze River Delta region should also give full perform to the important part of its own ports and use the strength of the Asian Investment Bank to promote the Yangtze River Delta region and countries along the route. Infrastructure construction, and actively use the "One Belt, One Road" construction preferences to speed up the creation of international shipping centers, achieve road connectivity, deepen logistics cooperation, and comprehensively build an integrated multimodal transport system; seize the opportunity of the country's expansion to the west and take the initiative to connect the cooperation of land bridge transportation in Central Asia. West Asia and South Asia countries will promote the development of logistics construction along the land bridge, realize the interconnection between the Yangtze River Delta and countries along the “Belt and Road”, and increase the export trade volume of the Yangtze River Delta.

4.3. Promote the Creation of the "Belt And Road" and Set Up an Effective Regional Cooperation Mechanism.

The “Belt and Road” is a practical platform for China to actively promote the construction of human destiny community and provides new opportunities for free trade between the countries which along the route and Yangtze River Delta. China should implement negotiations as soon as possible to establish free trade areas with countries along the route, further reduce and reduce tariffs and non-tariff barriers to trade. Improve the level of bilateral trade facilitation. The Yangtze River Delta region should also actively explore new foreign cooperation channels and channels with its own characteristics, and selectively conduct negotiations with important trading partner countries, especially with major countries. At the same time, actively promote the building of the China (Shanghai) Pilot Free Trade Zone, implement an effective regional cooperation mechanism, give full perform to the strong points of the same regional trade cooperation organization, strive to achieve zero tariffs with the countries along the “Belt and Road”, promote the development of free trade between the two sides, achieve reciprocal benefits and win-win results with the countries along the route, and further promote “Belt and Road Initiative”.

References


