

## One Belt One Road Analysis of the financial cooperated effect on the strategy of one belt one road between China and ASEAN

### การศึกษาวิเคราะห์ผลความร่วมมือทางเศรษฐกิจระหว่างจีนกับอาเซียนภายใต้ยุทธศาสตร์เส้นทางสายไหมทางทะเล

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#### Abstract

On the current international political and financial situation which is diverse, multilateral trading system has been marginalized gradually, then regional trade agreement becomes the new way for regional cooperation. "one belt one way" strategy is a great strategic deployment based on facing the deep change in the diverse international political and financial situation from China, which adopting open cooperated space and stimulating Chinese economic growth. "one belt on road" involves many countries, and ways for cooperation is diverse, though the country has released the strategic blueprint, it is not in details for the specific strategy. What will it benefit from the implement of "one belt one road"

Signing the bilateral agreement on economic integration is an important method to stabilize trade relations between China and the countries on "one belt one road". This article based on the judgment of the financial and political situation between China and ASEAN, and the foothold for establishing regional economic integration, then raise a cooperation mode novelty aimed at "on belt on road". From the perspective of cooperation, we take an exploration in bilateral multilateral preferential cooperation mode and multidimensional generalization mode. Liberalization of trade by implementing "one belt one road "will

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stimulate China and ASEANs positively, on the opposite, it has a negative effect on other countries that have not joined the initiative. From the macro-perspective, advocating and pushing "one belt one road" strategy has a positive effect on the side of macro economy between China and ASEANs. From the perspective of cooperation mode, through tariff reduction, the industry of China and ASEANs would develop well. Chinese intensive and labor intensive industry benefit from the tariff reduction, but the capital and technology intensive industry would be hit.

**Key words:** one belt on road, economic effect, cooperation

### บทคัดย่อ

เนื่องจากสถานการณ์ทางการเมืองและเศรษฐกิจระหว่างประเทศในปัจจุบันมีความซับซ้อนและเปลี่ยนแปลงไปมาก ส่งผลให้ข้อตกลงการค้าเป็นวิธีการใหม่ในการร่วมมือกันในระดับภูมิภาคและทางประเทศจีนได้ให้สำคัญในการเชื่อมกับสถานการณ์ทางการเมืองและเศรษฐกิจระหว่างประเทศที่เปลี่ยนแปลงไปโดยมียุทธศาสตร์ "One Belt One Road" เป็นการเปิดช่องว่างความร่วมมือจากต่างประเทศ และเพื่อเป็นกระตุ้นการเติบโตทางเศรษฐกิจของจีน ในด้านกลยุทธศาสตร์ "One Belt One Road" เกี่ยวเนื่องกับหลากหลายประเทศ รวมถึงมีวิธีความร่วมมือที่หลากหลาย ถึงแม้ว่าทางรัฐบาลจะออกกฎหมายรับยุทธศาสตร์ไว้แล้วบ้าง แต่รายละเอียดยังไม่ครอบคลุมทั่วทั้งหมด ทั้งนี้ ผู้เขียนจะบ่งบอกถึงสิ่งที่จะได้ประโยชน์จากการยุทธศาสตร์ "One Belt One Road" นั้นเมื่อไรบ้าง

จากการลงนามในข้อตกลงการเข้าร่วมทางเศรษฐกิจระหว่างประเทศคืนนี้ เป็นวิธีสำคัญในการพัฒนาความสัมพันธ์ทางเศรษฐกิจและการค้าที่มั่นคงระหว่างจีนกับประเทศอาเซียนภายใต้ยุทธศาสตร์ "One Belt One Road" บทความนี้เริ่มต้นจากการศึกษาสถานการณ์ทางเศรษฐกิจและความร่วมเมืองระหว่างจีนและอาเซียนเป็นพื้นฐานในการศึกษาค้นคว้า และเสนอรูปแบบความร่วมมือใหม่ภายใต้ยุทธศาสตร์ "One Belt One Road" โดยการเปิดเสรีทางการค้า เพื่อเป็นแรงจูงใจในเชิงบวกแก่ประเทศต่างๆ ตามแนวพรมแดนของจีนและอาเซียน แต่จะผลกระทบต่อประเทศที่ไม่ได้เข้าร่วมยุทธศาสตร์ "One Belt One Road" จากมุมมองเศรษฐกิจมหภาค ยุทธศาสตร์นี้จะเป็นสิ่งสนับสนุนส่งเสริมและเกิดผลในเชิงบวกต่อประเทศจีนและอาเซียน และจากมุมมองรูปแบบความร่วมมือทางเศรษฐกิจ โดยการลดภาษีศุลกากรนั้น ทิศทางและแนวโน้มการพัฒนาของอุตสาหกรรมจีนและประเทศในกลุ่มอาเซียนจะไปทางการเบรียบเที่ยบของแต่ละประเทศ อุตสาหกรรมที่ต้องใช้แรงงานในประเทศจีนจะได้รับประโยชน์จากการลดภาษี แต่ในด้านทุนและเทคโนโลยีของอุตสาหกรรมจีนจะได้รับผลกระทบจากการเปิดเสรีตลาดนั่นเอง

#### A. Introduction

"The Silk Road "started from Han dynasty, as a traditional trade route connecting Asian Africa and Europe, change from the road for transporting silk at first into the main method for trade between the East and the West and the cultural communication. China's recommendation of constructing "the Silk Road economic belt" and "21st century maritime silk road" in September, 2013 caused the international response.

This paper mainly studies the mechanism of promoting the economic cooperation between China and ASEAN under the "One Belt and One Road" strategy. analyzes the ASEAN economic cooperation theoretical research and cooperation model, we discuss the opportunity of cooperation under the strategy of "one belt one road". By analyzing the background of "one belt one road", leading to the coming challenge and opportunity. Then from the point of the strategy "one belt one road", we analyze the FAT ASEAN national economic cooperation model innovation under the "One Belt and One Road" strategy.

On March 2015, China peacefully announced to all over the world about the aspiration and program of action, which showed that the pattern of "one belt one road" and China's insistence of opening. "One belt one road" is divided into one belt and one road, Central Asia made a great contribution to constructing "one belt". There are many countries along the Silk Road in the 21st century, covering China, Southeast Asia, South Asia, West Asia, North Africa and Europe, among of them, the level of economic development is wide. Besides, China has reached relationship with several countries and regions along the Silk Road, such as bilateral free trade area between China and ASEAN. Thus, building "one road" is not a new start, instead, which upgrades on the original basis. Building "one belt one road" as a method in China, based on the original basis between China and ASEAN free trade zone, and further pushing the connection with the countries along Maritime Silk Road, and connect the economic belt in the Silk Road, then form a stereo metric channel between north and south.

#### Study the background and the meaning

"One belt one road" is short for "Silk Road economic belt" and "21st Century Maritime Silk Road". Maritime Silk Road is along with the harbor cities in China, on the way to Southeast Asia, South Asia, West Asia and North Africa, cross Mediterranean, then arrive central and Eastern Europe. "The Silk Road" starts from China, western forwards to Central Asia, Russia, then arrive central and Eastern Europe, make it a circle with the Maritime Silk Road. So far, it has been up to 65 countries make relationships with China along with the Maritime Silk Road, 45

hundred million people in total, and economic aggregate reaches 20 hundred thousand million dollars. "one belt one road" is the top national strategy in China so far.

The change of current international politic and economy is more complicated, world trade and investment is relatively weak, the whole world is facing the deep rectification, the crisis that every country faces is still austere. At this urgent moment, China raises the propose of "one belt one road" to the world, which follows the trend of economic globalization and open cooperation, aimed at protecting and pushing global trade more free, simplify investment, narrows the gap between the north and the south and makes it closed to ASEANs. Building "one belt one road" together presents the idea which is tolerated, open, cooperative and win-win, which is good for building wide-range, high-level, high-passion ,deep-level multilateral cooperation. Pushing "one belt on road" reflects that the worldwide people's hope of win-win, at the same time, it is an exploration of global political, economic and cultural cooperation. "one belt one road" makes the development of global politics and economy more energetic.

### **Literature Review**

International regional economic integration is a regional economic complex that several countries and regions in order to improve the degree of freedom among regions, and enhance free flow to build. The study of international regional economic integration contains about theory and demonstration. About theory, this article pay attention to present the relative integration effect. About demonstration, this article presents the mode of international regional economic integration between before and after.

#### **B. Economic integration effect**

As a regional economic union, international regional economic integration brings trade effect, economic growth effect and social welfare effect to its country. Trade creation effect and trade diversion effect play am important role in the regional economic union. Bur fisher (2003) thought that if the costs improved continually after joining the trade union, in other words, when it came out trade diversion effect, it was necessary to consider another factor named trade condition effect. Namely, when it comes out trade diversion effect, but if the trade condition is going to be improved, then the whole country will benefit. When it comes to economic growth effect in regional economic union, two theories exist possibly. It makes no sense in the developing countries that regional economic union leads to national economic growth only. Baldwin(2005) and Venables (1999) considered that regional economic

union which developing countries took part in won't brought about economic growth except Europe. Regional economic union can also increase the benefit level in the membership. The main measure factor in social benefit is the change of resident income.

Enables (1999) also did the same study, finding that only in European Union the gap of resident income reduced due to trade integration, but it was opposite to the East Africa and West Africa countries.

### **The connotation and features of "one belt one road"**

About the connotation and features of "one belt one road", many domestic scholars give the answers in their study products. Li Wen zeng (2014) thought that, "one belt one road" is a new idea of multilateral development around the world and win-win, as a bridge connecting south-north cooperation to south-south cooperation. Li Piao min (2014) thought that "one belt one road" is an intact set of cooperative mechanism based on the construction of cooperation platform, which balancing interests and seeking multilateral cooperation and development. Zhang Kai cheng (2014) thought that the strategy of "one belt one road" is a cooperative mechanism aimed at protecting the whole world and regions peace and prosperity, and pushing "made in China" to the world. Sheng Bin(2016) thought that "one belt one road" is a major strategic deployment coming out for invigorating domestic growth, opening up to the outside world, pursuing a diplomatic breakthrough when China face the complicated international political and economic situation. Cooperation field and trade field of "one belt one road" Zou Jialing(2015) analyzed the trade dependence between China and the countries along with "one belt one road", results show that trade dependence between China and countries along with "one belt one road" improves apparently by "one belt one road". Yu Ying(2015) thought the basic construction would be affected by the authority of the host country and would face the risk of politic. So we should focus on the political risk when constructing overseas infrastructure. Miao Linyan (2015) thought that China Development Bank and China Ex-I'm Bank should take advantage of policy institutions on constructing infrastructure, make full use of construction loan to push the cooperation in the field of infrastructure. The infrastructure of "one belt one road" would be affected by the authority of the host country and face the political risk. Thus, when taking part in constructing overseas infrastructure we should lay emphasis on taking control of political risk. As regional economic union developing, it has formed a complete theoretical system. But as the international society developing, regional economic union still contains shortcomings in some parts:

Firstly, so far study of regional economic union focuses on developed countries, so the study on AFTA and China needs further research. As a regional economic union cooperation including many developing countries especially LDC, the study on "one belt one road" is still in progress. Secondly, the relationship needs to be further strengthen between the theory of regional economic union and other subject. The theory of regional economic union still on the old way, it needs to be enriched in the study of industry, geography and game. At last, the world political and economic development is diverse, containing the negotiate of comprehensive multilateral trading system suffering bottleneck and obstacle, however regional economic union develops fast, this phenomenon needs further study in educational circles.

#### **National conditions of the nations along with "one belt one road"**

"One belt one road" is short for" Silk Road economic belt"and"21st. Century Maritime Silk Road". Maritime Silk Road is along with the harbor cities in China, on the way to Southeast Asia, South Asia, West Asia and North Africa, cross Mediterranean, then arrive central and Eastern Europe. "The Silk Road" starts from China, western forwards to Central Asia, Russia, then arrive central and Easter Europe, make it a circle with the Maritime Silk Road. So far, it has been up to 65 countries make relationships with China along with the Maritime Silk Road,45 hundred million people in total, and economic aggregate reaches 20 hundred thousand million dollars. "one belt one road" is one of the regional economic cooperative organization that consists of many countries and covers widely.

Roadmap of "one belt one road"



Resource: <https://www.cnbc.com/economy/>

"One belt one road" is a great strategy concerned about China's future, its appearance not only contains a profound domestic background, but also includes complicated international background. The economic development level of 65 countries along with "one belt one road"(including China) have a large difference. As what chart 1 showed, The highest economic aggregate is India, GDP was up to 20 thousand hundred million dollars in 2016. The lowest is Iraq, GDP was down to 1686 hundred million dollars. Among 65 countries, there are 23 countries, GDP of which reach 1000 hundred million dollars, the average of other 32 countries below 1000 hundred million dollars. There are several superpower countries along with "one belt one road". Indian GDP is about 20 thousand hundred million dollars, the population reaches 13.09 hundred million, Russian GDP is about 13 thousand hundred million, and population reaches 1.46 hundred million. We can figure it out from the picture 1, the 20 highest GDP countries among the "one belt one road", the East Asia, West Asia and Central and Eastern Europe take the most place, so the better economic basis countries locate most in the edges both China and western. Generally, economic level along "one belt one road" from the east to the west is in a "high-low-high" situation, Central Asia, West Asia and South Asia are in the low place.

Picture 1 Trade between countries along with "one belt one road" and China(Top 20 countries)

Region	GDP	population
India	2,0735.43	130,971
Russia	1,3260.15	14,630
Indonesia	8,619.34	25,880
Turkey	7,182.21	7,855
Saudi Arabia	6,460.02	3,201
Poland	4,747.83	3,800
Thailand	3,952.82	6,898
UAE	3,702.93	985
Egypt	3,307.79	9,020
Malaysia	2,962.18	3,152
Israel	2,960.75	852
Singapore	2,927.39	558
Philippines	2,919.65	10,419
Pakistan	2,699.71	2,699

Region	GDP	population
Bangladesh	1,950.79	16,151
Vietnam	1,935.99	9,263
KZ	1,843.61	1,794
CZ	1,818.11	1,056
Romania	1,779.54	1,986
Iraq	1,686.07	3,606

Data sources, world bank database

Countries along with "one belt one road" keep a good economic and trade cooperation with China. As picture 1 show, total volume of foreign trade with China exceed 100 hundred million dollar among the 65 countries along with "one belt one road" reach 19 countries. Among of them, Malaysia is the highest, reaches 972.57 hundred million dollars, followed by Vietnam and Egypt, of which total volume of trade is 958.48 hundred million and 917.84 hundred million dollars. So "one belt one road" has a good regional economic and trade foundation.

Picture 2 Situation about trade between countries along with "one belt one road" and China

Region	Total volume of foreign trade(hundred million dollars)
Malaysia	972.57
Vietnam	958.48
Egypt	917.84
Singapore	795.23
Thailand	754.59
India	715.96
Russia	580.15
Indonesia	542.28
Saudi Arabia	516.33
UAE	485.34
Philippines	456.36
Turkey	215.51
Iraq	205.83
Pakistan	189.16

Region	Total volume of foreign trade(hundred million dollars)
Poland	170.86
Bangladesh	147.11
KZ	142.90
Israel	114.17
CZ	110.06
Romania	44.57

Data sources, China statistical yearbook in 2016

Sheet 3 FTA signed with China

China	Georgia
	Australia
	Korea
	Switzerland
	Iceland
	Costa Rica
	Peru
	Singapore
	New Zealand
	Chile
	Pakistan
	ASEAN
	ASEAN (10+1)

The steps of implementing the strategy of FTA is faster, so far, it reaches 13 countries that have signed with China, besides, there are 10 free trade agreements is under negotiation. Though the signed and under negotiating free trade agreements, China's FTA is gradually forming. The progress of China future FTA is worthy of expectation by "one belt one road".

The strategy of "one belt one road" contains political, trade, industrial cooperation. Whether a main thread runs through in several region, then specifying the direction or not, the author focuses on narrating economic cooperation mode of "one belt one road", seeking for its own features, aimed at constructing Chinese free trade zone carrier.

### ASEANs regional interconnection

On the phase of nation and region, this article about two lines of "one belt one road" is generalized into two parts, "one belt" is grasping the key point, while "one road" takes overall situation into account. "One belt" focuses on Central Asia, the space existing in the regional safety, energetic resource, economic trade between China and Central Asia, grasping the opportunity, achieving a breakthrough in strategic fortress. About "one road", this article considers that the structure is not without any basis, but based on the original cooperative basis, assisted by all kinds of platform, cooperating with Southeast Asia, South Asia, West Asia, North Africa and Europe, which is called "one point five lines", grasping the key point and taking overall situation into account at the same time.

#### C. ASEAN cooperative mode under "one belt one road"

Countries along with "21st. Century maritime silk road" contain China, Southeast Asia, South Asia, West Asia, North Africa and Europe, of which the economic development level have big differences. Besides, China has made cooperative relationships with the countries along the line, such as bilateral free trade area between China and ASEANs, China and India men's copper. Thus, construction of "one road" isn't a new start, but upgrading based on the original basis. China should take the opportunity of constructing "one belt one road", taking AIIB and the bricks development bank as a platform, based on the original basis between China and ASEAN, China-Africa cooperation forum, pushing connection to the countries along with the maritime Silk Road, connecting to Silk Road economic belt, forming north and south interchange of tree-dimensional channel.

ASEAN is the shortest distance and the most close cooperation nations with China in "21st. Century Maritime Silk Road". Since Han dynasty; the southeastern area had been a important pot and junction in the Silk Road, which had a great effect on Chinese trade, resource and culture. Free trade zone between China and ASEAN was established in 2010, then the value of trade of the total foreign trade reached 11.16%. It is said that the cooperation between China and ASEANs keeps a good situation, at the same time, there's a large space for cooperation in the field of economic and trade. So the strategy of "one belt one road" raises that upgrading the free trade zone between China and ASEANs, to search for further cooperation.

Call it updated version, because both sides on the one hand should further improve degree of liberalization on the basis of original free trade agreement, on the other hand strive for the connectivity of infrastructure, cooperation in the field of energy, financial cooperation, maritime safety. Both sides can concentrate on the following phases. At first, for further updated negotiation, more openness in the field of goods and investment. They have their own priorities of labor force and natural resource between China and ASEANs, but for now, the complementarity of the cooperation is not obvious. So the updated free trade agreement should focus on intensifying corresponding items, drawing up specific and feasible plans, in order to lower the threshold of cooperation in trade and investment, making mutual benefit and win-win result come true. For example, reduce the taxes and quota restrictions of sensitive product. Second, further promoting bilateral cooperation based on the Asian infrastructure investment bank, fasten infrastructure construction in southeastern areas, preferentially constructing "pan-Asia railway", making more railway connection between China and Southeast Asia, making roads and trade between China and ASEANs more smoothly. At last, we can make the most of cooperation fund between China and ASEANs, fasten the cooperation on marine energy source and maritime safety.

**(1) Bilateral multilateral preferential economic cooperation model**

Preferential trade is namely trade agreement signed by member states, implementing preferential tariff to all or some parts of goods, reducing tariff wall, stimulating development to foreign trade. The former preferential trade agreement such as "commonwealth preferential trade agreement" in the early stage of the Second World War, which is a preferential way of the output products from colony to suzerain. Through reducing tariff in the British commonwealth, to resist market penetration from the United States. This system was going to collapse after EC establishing in 1970s. Preferential trade went to the high-tide period in 1990s. After that, due to the development of amount of the developing countries, the development of preferential trade came to another stage, namely turning from "South-North" into "South-South". So far, more and more developing countries are going to sign the preferential agreement, besides, there are about 2/3 developing countries in the preferential agreements which have been signed. In other words, "one belt one road" is a typical preferential trade of "South-South". "One belt one road" can start from three ways. Firstly, based on the cooperation benefits and feasibility, we can pick up the appropriate countries from the nations along with "one belt one road" to sign bilateral or multilateral

preferential trade agreement. Secondly, considering to many under-development countries, it may be difficult to implement trade and industrial cooperation, China can lend concessionary loans to part of countries, which can pushing the development of cooperation. At last, through the project form to help nations along the "Silk Road", which not only meet the needs of development of the countries along the "one belt one road", but also provide the opportunities to Chinese enterprises to take part in overseas project contracting and investment.

### **1. Method to carry out preferential tariff**

It would cause "trade creation effect" when cutting trade barriers for the countries along "one belt one road", and efficiently pushing trade between China the countries along "one belt one road".

Preferential tariff has two kinds of forms. One is one-way preferential, that China provides one-way preferential tariff to the countries along "one belt one road", this kind of tariff avails to open up a new prospect, and lay the foundation for further cooperation. The other one is two-way preferential, which means China would gain benefits from the preferential tariff that given by others, besides, this kind of preferential tariff is lower than the normal one, which avails for further trade development.

There are two ways to implement preferential tariff. One is item by item tariff deduction, which is setting a tax priority to goods when making a plan of tariff deduction, deducting to the Chinese import commodity rate, as cooperation developing deeply, then deducting tariff to other products, then forms an intact plan of tariff deduction. There are many advantages of this kind of tariff deduction under the background of "one belt one road". Firstly, item by item tariff deduction helps under-development countries to export their superior products, and keep other products away from strike at the same time. In other words, there's a buffer period to avoid the loss caused by the aggressive trade policy. Secondly, for China, this plan of tariff deduction fastens the cooperation with the countries along "one belt one road", reducing the policy pushing resistance, to pushing implementing "one belt one road". Thirdly, this kind of tariff deduction has promotional effect to the countries along "one belt one road", which avails to breaking the ice of trade and pushing cooperation between China and the countries along "one belt one road".

Another deduction of tariff is package, namely to package all products of tariff deduction when making plan, and deduct tariff at once. This kind of plans has several advantages. Firstly is efficiency. Under the strategy of "one belt one road", China is able to solve the problem of tariff deduction, reduce the cost of negotiation. Secondly, this plan is good for credit and friendship. Package tariff deduction involves many kinds and large amount of products. Once the agreement takes effect, it means a good future. Besides, this tariff deduction applies for following situations. one is there's a complementary space between China and countries along "one belt one road", it needs package to fulfilled the gap. The other one is the cooperation between China and countries along "one belt one road" is good and they are willing to trade with China, then it needs a efficient and material plan of tariff deduction to pushing the trade cooperation.

### **1.2 Forms of implement foreign aid loans**

Foreign aid loans in the strategy of "one belt one road" refers to domestic financial institution authorized by the government of China provides aid low-cost loans, which are guaranteed by the repaying government. EIBC is the only bank which is qualified to carry out this project. Foreign aid loans are divided into "concession loans" and "preferential export buyer's credit", the former one is called two optimal loan.

The repayment interest of foreign aid loans is relatively low, generally in 5%. Length of maturity is about 5-10 years, fund comes from foreign aid money of government and self-funding of bank. Prospective borrower are the sovereign states which cooperate with China in diplomacy and trade, and have good credit.

Preferential export buyer's credit is a concessional loan provided by exporting country to the importing country or importing enterprise, aimed at buying planes, boats, electro mechanism and complete equipment. Preferential export buyer's credit has already been a mature business; it must be used widely as the strategy of "one belt one road" spreading.

As a whole, foreign aid loan is meaningful to development of "one belt one road". Firstly, countries along "one belt one road" mostly are under-development country, at the first stage, they need to open the market by foreign aid loan which availing to enhance intend. Secondly, one of the most important link in the strategy of "one belt one road" is helping countries along "one belt one road" to constructing infrastructure, but the economic level of these countries is not qualified, so foreign aid loan especially preferential export buyer's credit

supports the countries along "one belt one road" importing advantage capacity from China, comprehensively carrying out infrastructure development.

### **1.3 Forms of implement China-aid foreign project**

China-aid foreign project is the construction of engineering projects sponsored by the foreign aid loan, which has obviously foreign aid characteristics, so it's popular in the developing countries. China has set up a fund for foreign assistance, in order to support enterprises in infrastructure, education and medical treatment.

China-aid foreign project contains following three forms. One of it is donor country participate in contracting and constructing overseas project by the support of donor government, and give some priorities to recipients countries. another is recipients countries lend the preferential loan to domestic enterprises after asking for aid, then complete the construction with Chinese and overseas companies. the other one is, turn domestic completed projects into running directly by Chinese enterprises or joint venture.

Under the strategy of "one belt one road", constructing infrastructure of countries along "one belt one road" shows a great demand .So China is going to meet a big market of foreign aid project .In other words," one belt one road" brings opportunities to contract and construct overseas project. At the same time, infrastructure construction is a cornerstone for nation's development, a completed infrastructure of countries along "one belt one road" promotes trade with China. So the infrastructure supported by foreign aid project promotes trade with China in turn. Besides, for Chinese enterprises, meet the same opportunities, and have more chances to take part in contracting and constructing, improve the international level of enterprise.

### **(2) Multi-dimensional generalization mode of economic cooperation**

There're many countries along "one belt one road", every country has its own character, such as regional politic and religion. Preferential mode the economic cooperation can not solve all problems. So it needs another safeguard measure on the industry level. As thus due to some reasons it can't make a deal with some countries or regions on free trade agreement, it can also implement industrial cooperation with them flexibly based on the industry and resource situation, then to achieve connectivity with countries along "one belt one road", pushing the strategy of "one belt one road" to a substantive direction.

## **2.1 Energetic cooperation: Oil and gas, smoothly**

Since from 21st. Century, China has been searching for energy varieties, and expanding energy sources, and maintaining stable energetic import. There're three main ways of importing energy sources, Africa route, Mid-East route and Southeast Asia route. Maritime energy sources shipping is the main route of China, so the only way that must be passed is Malacca. But Malacca has been under control by developed countries in Europe and America, so China's import of energy sources is obstructed, which threatens national security. So the current important mission is find a new way to import energy sources.

"One belt one way" takes this responsibility. "One belt" includes Mid-Asia and Russia, which are important oil and gas producers, can transport energy sources to China from west to east directly on the land route. "One road" is also an important route for energy supply. The central oil and gas pipeline keeps away from Malacca, connecting China with Indian Ocean, West Asia and North Africa. Thus, "one belt one road" open up a land route for energy sources, which broaden the channel for China energy sources import, and keep China's energy sources safe and pushing the long term development.

Under the strategy of "one belt one road", China is able to keep cooperation's with many countries and regions, which can relieve the pressure of China's energy import.

To keep cooperate with ASEANs. Though as we mentioned above it's necessary to break away from Malacca, Malacca is still an important source of China's importing oil and gas. So keeping cooperate with Indonesia, Malaysia is still important. Besides, China-Myanmar oil and gas pipelines has been put into operation in 2015. And China is negotiate with Pakistan to build a China-Pakistan economic gallery, strengthen cooperation in economic trade, energy and ocean. It is easy to see that these two measures improves the situation that China's energy sources imports in one way.

## **2.2 Infrastructure,**

The strategy of "one belt one road" is a link among land, railway and harbor, and creates a new regional cooperation arrangements based on the links. Investment of infrastructure in advance promotes economic development directly. The world bank has done related researches, showing that infrastructure increases as the growth of economic output, GDP increases 1% as the stock of infrastructure rise 1%.

National economic development are not balanced among the countries along "one belt one road", outdated infrastructure can not meet the demand of connection of roads and smooth of trade. So, the strategy of "one belt one road" should focus on infrastructure, to improve the roads, and provides a foundation for further economic trade and cultural exchanges .

So far, under the strategy of "one belt one road" there're several difficulties in the cooperation of infrastructure. Firstly, infrastructures of countries along "one belt one road" is obviously laggard. For example, even though many countries make connection to China in railway, the level is low. Most of regions in China opens high-speed rail, but many countries along "one belt one road" can not meet this demand. Besides, there're some problems of the standard disunity. Such as KZ, whose railway is a narrow one, which is different from other countries. Secondly, China's cooperation of infrastructure is influenced by politic and culture. Such as China had winged the bidding at Mexican high-speed rail, but after few days, Mexico unilateral breached. There are two reasons for this incident. One of it is the opposite side of Mexico is on strong position, the railway project harms the interest, it is said that the project is run by improper operation. The other one is complementarity between China and Mexico is week, industry is similar. Mexico think it do harm to its domestic industry.

It is necessary to take some measures to keep cooperate with countries along "one belt one road" of infrastructure.

Firstly, specifying the standard the interest in cooperation. One of it, strengthen the unity of the basic building standards on the base of respecting state sovereignty. Such as the disunity between China and Pakistan on the railway as we mentioned above, we should understand and respect other's interest, then strengthen communication to achieve unity. Besides, due to the plan of "one belt one road" isn't completed, leading to some provinces in China gain the project and sources through improper means, which wastes national assets. So when making a plan of "one belt one road", it should take regional advantages into account for orderly division of labor, and build the cross-regional communication mechanisms and linkage mechanism, strengthen the regional cooperation under the strategy of "one belt one road".

Secondly, strengthen the cooperation between government and the people. First side, create public and private investment and financing methods. The infrastructure of "one belt one road" is huge and long term, which needs to invest a huge capital. So only depending on the governmental investment is not enough. So it needs a new cooperative mode, such as adopting PPP mode(Public-Private-Participatkm), setting stable rate of return, to attract more

private capital. Second side, through the advantage of domestic and foreign development financial institutions, promoting multi-party cooperation. So far, China has helped setting several financial institutions such as the bricks development bank, Asian infrastructure investment and development bank and the Silk Road fund. EIBC, China export credit insurance and development bank play an important role in financing and security. Through these high-quality platform, it can attract domestic and foreign funds, pushing constructing the infrastructure of "one belt one road".

### **2.3 Financial cooperation**

"One belt one road" involves a large amount of infrastructure construction, and the projects need huge fund. But the means of loan of traditional financing bank is too single, so it needs to adopt the mode of tradition plus innovation, to make the diversification of financing mode come true.

At first, make the most of function of official capital. ASEANs along "one belt one road" are mostly developing countries, their infrastructure construction depend mainly on loaning from the international financing organization such as the world bank. But after financial crisis, the fund of varieties of international financial organizations directed by developed countries is affected. So developing countries start to search financial support from China. So the policy bank has been bearing this mission for the past few years. EIBC and China development bank should take advantage of professionalism and credit, achieving a breakthrough in export credit, overseas investment and project contract loan, to relieve the financing problem of the infrastructure construction of the countries along "one belt one road". Besides, it needs to actively promote the function of investment and financing in the bricks development bank, Asian infrastructure investment bank and the Silk Road fund. Especially the Silk Road fund, not only can join the long term investment and financing, to help infrastructure construction of countries along "one belt one road", but also make use of China's exchange reserve, and activate stock of foreign currency, and solve the problem of excess reserves.

Secondly, it needs to attract private capital to build "one belt one road". Investing merely by government or private capital has its own disadvantage. Early infrastructure investment of "one belt one road" is supposed to reach 8000 hundred million dollars, but Chinese government can only provide a half. So investing only by government is not able to meet the demand of building "one belt one road". At the same time, the deadline of infrastructure construction of "one belt one road" is long, and the return on investment is slow, investing by private capital lack of passion in investment. So building "one belt one road"

should be completed by both government capital and private capital. So far, international infrastructure construction adopts PPP mode. We can refer to two points. One is providing preferential treatment and make up for private investors at the early stage, such as tax reduction, regional priority and so on, to raise the investors' interests. The other one is on the operation of Silk Road fund, as it's an open platform, instead of a closed sovereign wealth funds, so social capital including fund company and AMC can take part in, pushing the development of "one belt one road" together. At the same time, participation of private capital downplays government background, which can reduce the blame on China's monopoly. At last, it can adopt innovative financing methods. As more frequently use of investing directly, and more various methods, asset-like stamps may solve the problem properly. In progress of building "one belt one road", China needs to learn from foreign investment, at the same time, set up ABS bond for the expected income assets, improve the liquidity of assets. Besides, based on the characteristic of countries along "one belt one road", adopting more flexible financing methods. Such as the project of "exchange high speed railway for rice" between China and Thailand. This mode was presented when Thailand's former prime minister took a visit to China in 2012. Thailand's economy develops fast in the past few years, but it's still weak on construction of high-end transport infrastructure, so it is possible to exchange for high speed railway by its rice. This cooperative mode take advantage of industry and sources both sides, realize resource complementarity, strengthen cooperation and solve the financing problem at the same time.

**D. Economic effect analysis on free tread zone under "one belt one road" between China and ASEANs**

Generally, from the view of social welfare, trade conditions, economic situation and export-import, liberalization of trade stimulates countries along "one belt one road", but has bad influence on other countries including America, Japan which don't join "one belt one road".

**E. Macroeconomic effect**

From a macro perspective, promoting and pushing the strategy of "one belt one road" has a stimulated effect on Chinese macroeconomic, especially on social welfare and growth rate of GDP. The author think that China increases exports to ASEANs

### Economic effects of industrial perspectives

From a industrial perspective, via reducing tariff, the industry of China and ASEANs(10+1) develops in the direction of their respective strengths .Chinese capital intensive(agricultural products, meat product)and labor intensive(food processing, textile and garment, light industry)benefits from tariff reduction. But Chinese capital and technology-intensive industry(heavy industry, service industry)is impacted by market opening.

### F. Conclusion

Construction of "one belt one road" increases macro economy and industry both in China and countries along "one belt one road", which is an open multilateral win-win cooperation. So we need to peruse this strategy without hesitation, and other countries' access is welcome, to take their own advantages on industry, and complementary advantages. To make connectivity, smoothness, kindness come true under the new world pattern.

With the connectivity of "one belt one road", promoting negotiation on the free trade with ASEANs. Due to the stimulations of tariff deduction to Southeast Asian area, and the potential of future sources, infrastructure and safety between China and Southeast Asia, and keeping stable political and diplomatic relationship.

Seize the opportunity of advantage output with "one belt one road", accelerating output of traditional competitive industry such as agriculture, food processing, textile. R&D effort at the same time, promoting additional value of resource-intensive and labor intensive industry, expanding the space of industrial benefits. As to heavy industry, depending on import as well as protecting domestic industry, avoiding conflict caused by the liberalization of trade.

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