



**With Internet penetration steadily growing in the B&R region, an e-commerce boom is already on the horizon in countries such as India, with homegrown Flipkart and Snapdeal battling giants like Amazon for market shares.**

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Woodpecker at work

# One Belt, One Road: a gold mine for all

**Ni Tao**

AS an important dimension of China's Belt and Road initiative, economic cooperation has been a major research subject for domestic think tanks.

At a symposium on the heels of the recent Belt and Road Forum in Beijing, researchers from the Shanghai Academy of Social Sciences (SASS) released two reports on the latest developments of the B&R initiative.

Entitled "International Trade and Investment between China and Countries along the Belt and Road" and "Development of Sino-Foreign Economic Cooperative Zones in Countries along the Belt and Road," the reports highlight the progress made in trade and investment by the B&R club of 66 nations.

The first report says that from 1995 to 2016, Chinese imports from and exports to what are now B&R countries grew from US\$38.4 billion to US\$978.3 billion.

## Diversity in trade

The report also points out that trade within the B&R region is markedly "heterogenous," meaning different countries specialize in a broad array of products and services.

For example, typical resource-rich countries include Russia, a major producer of oil and gas, and Ukraine, historically known as the breadbasket

of Eastern Europe. Some nations also turn out industrial goods and some are famous for their service industry (logistics, tourism and care provision), said Shen Yuliang, a SASS researcher and chief compiler of the reports.

Since there is much diversity in trading patterns of countries in the B&R region, the challenge is to establish a common and integrated trade zone and market.

The report says trade in commodities in countries along the B&R generally accounts for more than 50 percent of their overall trade. Therefore, it suggests China builds diverse cooperative mechanisms with countries along the B&R to counter risks from vagaries in the international commodities market.

It is strongly advised that China and other stakeholders embrace innovation in trade resettlement and financing, and Shanghai's pilot Free Trade Zone could serve as an avenue for exploration in commodities futures transactions.

One possible way of boosting trade of countries along the B&R is through enhancing e-commerce.

The report says that China, already an e-commerce giant, has the infrastructure and experience to help partners build their own e-commerce.

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Amazon for market shares.

China's Internet penetration is more than 50 percent, compared with almost 75 percent in the United States. But China is closer to a cashless economy than most Western nations. In major cities such as Shanghai, it is not unusual for people to rely on WeChat or Alipay.

## Hurdles to e-commerce

Countries along the B&R are at various stages of tapping e-commerce for growth. To remove obstacles to further development of e-commerce, both the state and private sector have a role to play in overcoming a host of difficulties in, say, customs and quarantine, laws, consumer trust, payment, shopping habits, data safety and so on.

For example, if a dispute occurs in a cross-border e-commerce deal, it needs to be clarified which country's law applies.

In addition to trade, investment is a major pillar of economic cooperation in the B&R region. A favorite destination of Chinese foreign direct investment is overseas economic cooperative zones (ECZs), says the second SASS report.

Having been a beneficiary itself of FDI in the early stage of the reform and opening up, China is now replicating this model in other parts of the world to help growth. But a key element of this approach is that China's vision, plans and strategy for these ECZs must tally with

those of the countries that host them.

"ECZs help generate jobs and growth, meanwhile enabling Chinese businesses to embed themselves in a bigger global value chain," says Shen, the SASS researcher.

As of last year, Chinese businesses have been involved in 56 ECZs in 20 countries along the B&R. The most famous of them include the Sino-Thai Rayong Industrial Park and the China-Belarus Industrial Park, to name but a few.

Notably, despite the obvious benefits of lower labor, land and other costs in operating in these parks, a flip side for interested investors to take note of is that many factories have to bring in senior management and technical staff from home to make up for the lack of these professionals on the local human resource market, said Nicholas Kwan, Director of Research of the Hong Kong Trade and Development Council.

Kwan cited the example of a Sino-Vietnamese industrial park in Ho Chi Min City, where businessmen have complained about the shortage of high-caliber talent available from the local workforce. Training the locals takes time.

"Therefore, against the backdrop of building ECZs in the B&R region, factory owners ought to know that a value chain composed of products and machines only is not enough. It has to be completed with technology, know-how and the people that possess them," said Kwan.

# Hungary and China see a joint road forward



**Viktor Eszterhai**

FOREIGN VIEWS

ON 13 May, one day before the Belt and Road Forum for International Cooperation, President Xi Jinping met Hungarian Prime Minister Viktor Orban, and announced the establishment of a comprehensive strategic partnership between the two countries.

From Hungary's point of view, this partnership can be seen as

the fruit of the government's "Eastern Opening" policy, launched in 2012, the central idea of which was to pay more attention to Asia — and especially to China.

This decision was based not only on a recognition of the changing global economic and political order, but also on an awareness of the country's over-dependence on the European Union. For instance, more than 70 percent of Hungary's trade is conducted with EU countries, a fact which had especially painful consequences during the 2007-2008 financial crisis when trade fell sharply and GDP decreased dramatically.

The lesson was clear: it is in Hungary's national interest to diversify economic relations. The country began to strengthen bilateral ties with China and has also become an active

promoter of the relationship between China and Central Eastern European countries, playing an important role in the "16+1 Cooperation" organization, created by China and 16 Central Eastern European countries.

Within this new framework, Hungary has established the "China-Central Eastern European Countries Tourism Coordination Center" to help and coordinate tourism. And this year, with the aim of improving research collaboration, a "China-Central Eastern European Institute", a new trans-regional thinktank, was set up in Budapest.

Hungary is also a committed supporter of the Belt and Road Initiative, which is seen as a unique opportunity for the country to break out from the semi-peripheral status within the European continent. Hungary

was the first country to sign a memorandum of understanding for the Belt and Road and was also involved in the first large scale infrastructure project to be implemented inside the EU: the Budapest-Belgrade railway. The strategic importance of the rail line is that it lies on the transport corridor of goods arriving from the Balkans, and, in the long run, it can be central to the China-West Asia Economic Corridor.

Despite these successes, there is still room for improvement in Hungary-China relations. The deficit in trade for Hungary with China, the inflexibility of Hungarian small and medium-sized businesses, and the lack of knowledge in Hungary about the Chinese market are all areas that require reform. With clear goals and effective strategy these technical issues can be solved.

Hungary's "Eastern Opening"

did not receive much enthusiasm from some EU countries. Many have eyed Hungary's diversifying strategy with suspicion.

But in fact, the new ideas such as the Belt and Road initiative are not in opposition to the EU; rather, they can be regarded as part of the multi-polarization of the global order — a fact that must be accepted by the EU, since it is a necessary precondition for being successful. Hungary — in spite of its small size — is a committed supporter of this process and tries to act as an example for other countries.

The author is visiting scholar at Fudan Development Institute and the Deputy Director of Research of Pallas Athene Geopolitical Research Institute (PAGEO), which was established by the Central Bank of Hungary. Shanghai Daily condensed the article.