GENERAL INTRODUCTION TO REGIONAL VALUE CHAIN RECONSTRUCTION UNDER THE FRAMEWORK OF CHINA’S BELT AND ROAD INITIATIVE

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Abstract:
As a consequence of the continued growth of the global division of labour, the division of labour that occurs inside the global value chain has evolved into the practise that is generally accepted in a number of multinational industries. However, due to the sluggish state of the global economy and the rise of trade protectionism in the last several years, international cooperation among states in global value chains has been hampered. Reviving the division of labour throughout the global value chain is an urgent problem that has to be addressed in today’s interconnected global economy. If China's policies concentrate on researching the reconstruction of regional value chains within the context of the Belt and Road cooperation framework, China may be able to make a contribution to the economic revival of both the regional and global economies.

Key words: Belt and Road, regional value chain, the Kindleberger Trap, economic recovery

Even though they are the world's two most economically dynamic regions, Asia and Europe are struggling with some of the same development issues that plague the rest of the globe. “Area” formed by the fusion of regional governance, provides a new global stability, effectively cope with the “The Kindleberger Trap”. People don’t need to fear the hegemonic stability too much. From the “New Human Destiny Community” perspective, building new international relationships, through regional governance plan, to realize regional value chain integration, can further promote the “globalization”. This method has also produced a new paradigm for sustained global development. As a result, China has proposed the Belt and Road Initiative at the right moment to have a positive impact on the economic recovery of the region and the world. In recent years, Chinese academics have been confronted with a number of theoretical and practical questions regarding how to advance the Belt and Road Initiative, strengthen the division of labour among countries in the Belt and Road region on the value chain, and encourage the growth of the regional
trade network.

1. Research significance of regional value chain reconstruction

The Regional Comprehensive Economic Partnership (RCEP) was signed in 2020, creating the biggest free trade region in the world. The ten ASEAN states plus Japan, China, Korea, New Zealand, and Australia make up RCEP. The 15 member nations contribute for around 30 percent of the world's population, GDP (at 26 trillion US dollars), and exports (at 5.2 trillion US dollars). Reconstructing value chains at the regional level is gaining increasing attention. The Kindleberg Trap may be reached quickly and efficiently under the Belt and Road Cooperation framework. By encouraging "extensive consultation, cooperative participation, and shared benefits," China's "Belt and Road" proposal might be seen as an effort to disseminate public goods to the international community. But unlike traditional international public goods, China is not on the power of hegemonic stability road; rather, it is attempting to establish an orderly regional governance by "building the human destiny community," and then encouraging countries to jointly participate in the governance of global affairs so that they can all benefit from the development that has taken place. Finally, through regional governance system integration, China will build effective global governance system.

1.1 The theoretical value of “regional value chain reconstruction”

The evidence from global industrialization reveals that emerging nations are only interested in integrating into global value chains. Developing nations will lose their comparative advantages and sink to the bottom of the global value chain because they lack a full domestic market system, independent innovation capability, and primary production factors. There are two forces working against the growth of China's manufacturing sector at the moment: the "high-end return" of manufacturing in developed nations headed by the United States, and the transfer of manufacturing in developing countries' middle and lower classes. Many challenges and obstacles stand in the way of China's industrial sector thriving and expanding. To begin with, it must contend with the technical obstacles and blockades erected by developed nations headed by the United States against developing countries, as well as the distribution capacity of suppliers, which forecloses on the primary market. On the other hand, traditional customs statistics seriously exaggerate China's actual trade benefits and aggravate the trade imbalance between China and other countries and regions. The comparative advantage of China's labor force is getting smaller and smaller or even disappearing, and the structure of production capacity is deformed and seriously excessive. The extensive economic growth model that pursued quantity in the past has no room for survival. China will be unable to overcome the "low-end lock-in" challenge or accomplish the aim of industrial structural reform and upgrading if the current global value chain structure is not altered.

It is possible that China's Belt and Road Initiative would assist increase China's present foreign competitiveness by increasing economic cooperation with neighboring regions. The study of
China's Outward Foreign Direct Investment is garnering a growing amount of attention among academics in China (OFDI). However, the interweaving of regional economic cooperation under the Belt and Road Initiative and the global value chain is hardly touched upon in the literature that is currently available. It is important to take a closer look at the development-focused building of the regional value chain that the Belt and Road Initiative is working on. After all, the traditional western international political economy and the current international political economy with Chinese characteristics are significantly different in connotation. How to concretize the new concept and put it into practice is worth further discussion in the academic field.

1.2 The realistic significance of “regional value chain reconstruction”

In the development process of the countries and regions along the Belt and Road Initiative, there are the following common problems: relatively backward economic development, still in the initial stage and low level of industrialization, lagging infrastructure construction, and generally weak ability of scientific research and innovation. However, they both have the strong demands of rapid economic development. A strong response to the reform of the economic order will have a profound impact on neighboring countries and the global economic and social development pattern.

Some manufacturing exports to the United States have been shifting to Southeast Asian countries in recent years, as prices of Labour, land and environmental factors in China continue to rise and uncertainties arise from the trade war between China and the United States. From the perspective of Foreign Direct investment (FDI) inflow, Vietnam, not India or Indonesia, should be the biggest beneficiary of this new wave of industrial migration. But looking ahead, many observers regard as East Asia’s export-led development model coming to an end, and Vietnam may be the last passenger on that ferry. There are technical reasons on the supply side and political and economic reasons on the demand side. From the technical perspective, the maturity of artificial intelligence (robotics) and additive manufacturing (3D printing) are weakening the need to move industries to poorer countries. Some American, European and Japanese companies are moving home from overseas to be closer to consumers, as new technology reduces the share of Labour in unit costs. Many labor-intensive enterprises in China are also making great use of robot technology to transform production lines, rather than moving overseas or outsourcing as companies in the United States, Japan and South Korea did at the beginning. Generous government subsidies for technological upgrading are also conducive to maintaining and improving the comprehensive competitiveness and durability of China’s manufacturing industry. Through the investigation of the manufacturing entrepreneurs in the southeast coast, we can find that although many entrepreneurs have visited Vietnam and other Southeast Asian countries, most of them choose to stay in China because of industrial clusters and supporting reasons and rely on technological upgrading to obtain the pricing power in the industrial chain for survival and development.

There will soon be a dramatic shift in the regional value chains of Belt and Road nations as a result
of China's influence. China, as a deserving regional leader in the 21st century, must lay forth a new vision and strategy for the development of the area. The policy idea "An Asian Community of Shared Future" was proposed by President Xi Jinping at the Boao Forum for Asia in March 2015. It is a prudent and practical decision for China to work together with other nations along the Belt and Road Initiative to face and overcome external and internal challenges and to accomplish shared goals. With the 19th Central Committee's Fifth Plenary Session's explicit proposal to "accelerate the construction of a new pattern of development dominated by domestic and foreign dual cycles," there is an urgent need for research into how to coordinate domestic and international division of labour and enhance China's foreign trade competitiveness in light of the objective reality of global value chain remodeling.

2. Research status of “regional value chain reconstruction”

2.1 Research on “Value Chain Theory” under the western economic system

Western economics, under the system of value chain theory and the theory of global value chain research, mainly focuses on the dynamic mechanism of global value chain, cross-border production and consumption of the organizational structure and governance structure of a practical research. To a certain extent, it ignored the existing global value chain system represented by the developed economies to use its dominance and control. Through international division of labor and unequal exchange, the hegemonic economic relations in developing countries exploit and plunder are magnified. Under the existing global value chain system, developed capitalist countries occupy more global structural surplus value in the distribution of surplus value. The unequal distribution of economic surplus contributes to the widening gap that exists between wealthy and impoverished nations. As a scientific theory, the value chain theory of Western economics is unassailable because it is founded on extensive research and cannot be called into question. In contrast, the research agenda, which has as its focus the interests of the capitalist ruling class and whose objective it is to protect those interests, demonstrates the fundamentally exclusive nature of the theory. The goal of the research agenda is to protect the interests that are the focus of the research agenda. In addition to this, it serves as the foundation for determining the limits of the theory. The expansion of multinational supply chains and the economy of the entire world will surely be slowed down if people lose touch with reality.

In order to put a number on where the world stands in the value chain, some Western academics look at the way in which export commodities are organised. As soon as it is proposed, the value chain theory demonstrates substantial practical value and theoretical tension. The existing research on value chain theory at home and abroad is generally based on the relevant discussion of Paul Krugman and other scholars. Combining ideas from "economic globalisation" with "value chain theory" produces the "global value chain theory." An important theoretical tool in this field and a policy tool to steer the industrial development and upgrading of many lagging countries, the "Global Commodity Chain" (GCC) framework is proposed as an international production network.
This framework is then optimised into the theory of the "Global Value Chain" (GVC) (Paul Krugman, Anthony Venables, 1995). Taking Gereffi Gary’s research as a starting point, those papers focus on the interplay between the value allocation mechanism and the organizational structure for designing cross-border production and consumption (Philip, Mc Gereffi, Miguel, 1995).

2.2 Research in the field of “global value chain”

Significant changes have occurred in the organisational framework of international commerce and manufacturing as a result of the development of the global value chain. It is possible to generally classify quantitative studies of the global value chain into two categories: participation and status. Measuring the position of global value chain is a basic problem to study its climbing mechanism. At present, there are three mainstream understandings of value chain measurement in China. Firstly, GVC is measured by using imported inputs to produce a country’s export products. This method uses national input-output table to measure GVC for the first time, and extends the concept of vertical specialized trade. Secondly, it is the value added trade model, which considers that domestic value added and foreign value added constitute the total export volume. On this basis, a new conceptual framework is proposed, and two indexes of global value chain participation are constructed. The third kind of index considers how far up the global value chain a certain nation or sector is (Zhi, Shangjin, Kunfu, 2015). The "position" in the value chain, however, as was pointed out by several domestic experts, is fundamentally different from "status" in the eyes of the market. As the study of the global value chain has progressed, its definition has broadened, with most experts now agreeing that the global value chain is a governance structure including the production, distribution, and consuming phases of any given economic system. Wang Lei, Zhuang Yanrong, et al. investigated the effect of venture capital heterogeneity on the embedding of manufacturing companies in global value chains by using opportunity resource based management, organisational learning theory, and institutional isomorphism theory (Lei, & Yanrong, Z2021).

3. Characteristics and influencing factors of global value chains

3.1 Characteristics of global value chains

A new transnational division of labour, known as "global value chains," has been taking development since the turn of the 21st century. Dynamic optimization of the global value chain in the current time has to be in line with the principle of comparative advantage and international division of labour. Observation and analysis reveal that the features of China's domestic value chain embedded in the global value chain, and the degree of embedding resulting in China's provincial areas in the global value chain, will become more pronounced over time. By constructing the calculation framework of China’s regional dual value chain, He Yaxing et al. intuitively measured the added value brought by the dual value chain division of China’s regions, and found that different industries and different regions had different proportion of division of
labor in the global value chain (Yaxing, Sheng, Chi, 2021). The degree of global value chain embedding in Chinese cities has an impact on total factor productivity. Scholars have found that global value chain embedment at the city level exhibits significant spatial correlation. Furthermore, the influence of embeddedness in global value chains on total factor is diminishing. There is also the ever-evolving process of China's incorporation into the global value chain, which deserves close observation. The spatial distribution of China's global value chain will take on signs of decentralisation, regionalization, and diversity as a result.

In order to adapt to the local growth environment, China has to move quickly to establish a new economic pattern and promote a global value chain dominated by domestic demand. China needs to keep shoring up its domestic value chain in order to compete in the global value chain, and the opening pattern of co-evolution between the two will aid the country in fostering regional economic growth, increasing productivity in economic development, and expanding its international trade footprint. Some Chinese academics have looked at trade facilitation and global value chain integration from the standpoint of export businesses' stockpiles. They found that export enterprises embedded in global value chain participate in cross-border trade much more often than traditional trading enterprises. Therefore, trade facilitation, which is closely related to entry and exit time, has a more significant effect on inventory reduction of export enterprises embedded in global value chains.

It can be seen that most scholars study industrial development based on value chain theory. Researchers Lv Yue et al. looked at how integrating into global value chains will affect Chinese companies' output and concluded that it would have a positive effect (Yue, Yanxi, Yongbing, 2017). Through the division of global value chain framework, Zheng Jianghuai and Zheng Yu proposed the product innovation among developing economies as a driving mechanism and route of the growing global value chain. It promotes China's manufacturing sector to move up the global value chain and has a favourable effect on widening openness to the outside world, increasing the volume of trade, and enhancing the effectiveness of the domestic innovation system. The "Value Chain Theory" served as the basis for their investigation of the enterprise's integrated regional and global value chains, as well as the foundation, connection, and level of the industry's chain of thinking. When a company joins a global value chain for the first time, they may boost the last stage of the industrial chain, leading to higher-end and more diverse market growth. From their urban viewpoint, they see global value chain embedment as a key factor in advancing industrial structure simplification. China's GVC embedding in the area also aids in advancing industrial technology, the global value chain, and economic development. Alternately, other researchers have looked at how global value chains and local value chains affect China's regional-industry development and discovered that both global and domestic value chains contribute to economic growth. China's domestic value chain development may aid in elongating the global value chain's circular chain in China, which in turn increases the effectiveness of the division of labour in the country. And it will help increase the global value chain's role in driving economic expansion by encouraging the accumulation of high-end physical capital, human capital, and knowledge capital.
3.2 Influencing factors of global value chains

He Yu et al. explained and analyzed trade conflicts and cooperation by constructing a multi-stage global value chain production model under the open economy. They think a moderate opening-up strategy may successfully boost foreign trade, play a constructive role in advancing global economic integration and international trade liberalisation, and assist enhance the position of China's economy in the global value chain (Yu, Jianhua, Zhenzhen, 2020). Foreign investment, as argued by Luo Wei and Lv Yue, may boost China's presence and influence in global value chains. A country's ability to increase its standing in the world economy is largely dependent on the level of talent and creativity it produces. A market-oriented financial structure is beneficial in improving a nation's position in the global value chain, which is related to the financial structure of the country (Wei, & Yue, 2019).

Chinese academics have studied how IP protection in regional trade agreements affects nations' levels of participation in global value chains, and they've concluded that it has a considerable positive effect on the level of participation. According to the value chain theory within the New Trade Theory, technological advancement and knowledge have become the primary factors affecting a country's promotion of the division of labour in the global value chain, which has important implications for the study of the trade development potential of countries along the Silk Road. Qiao Pingping researched how trade barriers affect China's participation in global value chains and developed an empirical analytical model to determine how trade obstacles affect China's participation in global value chains across various sectors (Pingping, 2021). Furthermore, she investigated the causes of China's predicament at the bottom of the global value chain and concluded that the theory of technical obstacles, institutional regulations, and development strategy were the most crucial factors in China's decline to the global value chain's bottom.

3.3 Dynamic mechanism and governance structure of global value chain development

For the dynamic mechanism of global value chain development, some scholars analyzed the formation of the value chain from the perspective of the global organization of the production process, and put forward the analysis framework of global commodity chain. Based on this, they further put forward a dualistic model of global commodity chain driven by producer and buyer. This dual driving mode is defined by the division of industrial sectors. But this division is not absolute, and there can be two driving mechanisms in the same industry sector. Specifically, there are different driving mechanisms in different links of the production process within the industrial sector. There are even two driving mechanisms at the same time in a production link.

As for the governance structure of global value chain, Humphrey Schmitz first put forward the complete definition of value chain governance, that is, non-market coordination between different economic activities and different links in the value chain can be realized through the relationship
arrangement and institutional mechanism among related enterprises, on the basis of scientific definition of value chain governance. They also classified the governance structure of the value chain into network type, quasi-bureaucratic type, bureaucratic type and market type according to the closeness between different economic activities and different links in the value chain (Humphrey, 2004). Gary Gereffi, John Humphrey, Timothy Sturgeon et al., starting from the dichotomy of vertical integration and outsourcing, compared the degree of coordination between different types of participants in the global value chain. They classified five types of GVC governance structure patterns: market type, module type, relationship type, leadership type and hierarchy type. Moreover, they use transaction complexity, transaction contract codibility and supply-side capability to investigate the dynamic change of GVC structure. Among them, the market type of value chain governance model corresponds to the lowest degree of coordination among the participants of the value chain. The hierarchical value chain governance model corresponds to the highest degree of coordination among the participants of the value chain and the lowest codibility of the transaction contract. The coordination degree of the other three modes is in the middle of the two (Gereffi, Humphrey, Sturgeon, 2005).

4. Path exploration of regional value chain reconstruction under the framework of “Belt and Road” cooperation

The “Belt and Road” cooperation will focus on six areas, including: First, policy communication among governments. Second, we need to communicate and share macroeconomic policies and economic planning and development strategies. Third, we need to continue to promote infrastructure connectivity and planning and construction infrastructure connectivity among countries. Fourth, focus on bilateral trade, investment cooperation, unimpeded international trade in production capacity and cooperation in the construction of industrial parks. Fifth, we need to create a good financial investment supervision environment and promote the monetary internationalization of financial integration. Sixth, people-to-people and cultural exchanges based on tourism, people-to-people cooperation and personnel exchanges. It is not hard to see that regional economic cooperation has become the top priority of the “Belt and Road” cooperation and development.

4.1 The Belt and Road Initiative is highly integrated with global value chains

For a long time, China’s manufacturing sector has been plagued with “big but not strong”. Together with what its faced in the current global value chain system, it is embedded in the low-end locking, refactoring is of great necessary. Climbing under siege of triple development dilemma, has gradually been resulted in a high end. To promote the manufacturing sector towards the global value chain become the focus of high quality and economic development in the new period. Working hand in hand with countries along the Belt and Road to cope with internal and external crises, has become a wise and pragmatic choice for China at present and in the future.
Regional economic cooperation among Belt and Road countries can enhance China’s position in the global value chain in the following aspects. First, the Belt and Road Initiative can relieve the pressure of overcapacity in China and promote the transformation and upgrading of China’s economic structure. Serious overcapacity has become a major obstacle to China’s economic restructuring and industrial upgrading. The Belt and Road Initiative is conducive to promoting the export of energy-intensive industries in China, thereby reducing the pressure of overcapacity. Second, the broad scope of the Belt and Road Initiative is conducive to positive externalities and scale effects. Economies of scale and positive externalities are sustainable in integrated regional cooperation rather than static, fragmented bilateral or multilateral trade agreements. The practice of regional economic integration has proved that the amount of benefits of each country is positively related to the scope of trade and division of labor. Third, the construction of “One Belt and One Road” has promoted the transformation from the production end to the research and development and channel end in China. The shift of low-end industries to countries along the “One Belt and One Road” puts pressure on Chinese domestic enterprises to upgrade their industries and shifts the focus of their business demands to technology development. At the same time, China’s huge higher education system and relatively complete research and development capabilities provide intellectual support for industrial upgrading.

Based on the research status of global value chain, Chinese scholars have analyzed the change trend of global value chain, and found that global value chain shows significant reconstruction and endogenous characteristics, and gradually shows the phenomenon of stratification. In view of the new trend of global value chain changes, China should cultivate its advantages, take the Belt and Road Initiative as an important focus, build a global trade network, build a global value chain as the core of development, and continuously enhance its ability to obtain added value. There is a close link between the national strategy of the Belt and Road Initiative and the regional value chain, which plays an important role in promoting China’s sustainable development. Taking the manufacturing industry as an example, the development characteristics of the regional value chain jointly built by China and ASEAN are obvious. In the manufacturing intermediate goods and final goods exported by ASEAN countries, the proportion of regional contribution to added value has been increasing. Through observation and research, it is found that the regional value chain jointly built by China and ASEAN is characterized by inward development. The Belt and Road Initiative has not only achieved remarkable results in promoting more equal opportunities of division of labor in the global value chain, but also promoted the development of the regional global value chain along the route toward “more equal status” (Wei, & Hanchuan, 2021).

4.2 The role and significance of the Belt and Road Initiative in dealing with the Kindleberg Trap

In his study of the Great Depression in the 1930s, Kindleberger successfully laid the groundwork for the theory of hegemonic stability. Hegemony, he argues, is a global public good. The stable operation of the world economic system with the market as the main body requires costs, and the
market itself cannot use its own power to provide the cost of stable market operation. Therefore, the country corresponding to the market will become the main body of behavior to stabilize the market operation. However, at the international level, countries will not consciously and voluntarily spend the necessary costs to ensure the stability of the world economic system. Because, in general, countries do not get their fair share of the cost. So, there must be a hegemon willing to pay the costs of maintaining world market stability, regardless of the benefits.

Of course, the reason why the hegemon is willing to pay is fundamentally to maintain its leadership in the world economic system and the international political system. And, by doing so, gain more important benefits. Because the historical logic and the real situation are not completely consistent, so, Joseph Nye’s theoretical modification of Kindleberger’s logic gave rise to two versions of the “Kindleberger Trap,” namely Kindleberger’s original and the extension of Joseph Nye. There are important differences. Joseph Nye argues that the current international system may find itself in a similar predicament again, mainly because the world’s hegemon, America, lacks the will, and China lacks the power. Again, this has led to an insufficient supply of international public goods. For falling into a trap, Joseph Nye sets two conditions: the first is that the Trump administration lacks the will to provide international public goods to stabilize world markets; The second condition is that China lacks the capacity to provide international public goods. Regarding the first condition, it should be said that it is basically true from the perspective of the adjustment of American foreign policy. As for the second condition, it is difficult to hold in fact. Comparing with today’s international reality, we can clearly see that the rising China’s attitude in the provision of public goods is completely different from the policy of the United States at that time. Despite its lack of strength, China has acted within its capacity and actively provided public goods to the international community. Kindleberger himself did not propose the so-called Kindleberger Trap. He merely demonstrated a logic of international politics. The stability of the international system depends on the supply of international public goods. And the supplier can only be the hegemon of the international system with a large amount of economic surplus, other countries without exception choose to free ride. Overlords are stabilizers of the international system because they bear all the costs of international public goods. Therefore, Kindleberger put an end to his theoretical study with hegemonic stability theory.

The Belt and Road Initiative is a public good that China provides to the international community in the new historical stage, which highlights China’s great power style. But western countries are suspicious of China’s provision of public goods to the international community. In 2017, Joseph Nye proposed the “Kindleberger Trap”. This theory states that no state is able or able but unwilling to provide international public goods. He worries about China’s unwillingness to take responsibility for the provision of public goods after its rise. Chinese scholar Zhang Yan analyzed the global value chain adjustment and the climbing risk of China’s manufacturing industry from the perspective of overall national security based on international relations (Zhang, 2020). The “Kindleberger Trap” is a theoretical tool for the West countries to suppress China strategically. China has proposed the Belt and Road Initiative as an important measure to build a
community with a shared future for mankind. In the analysis of the “recognition logic” of the thought of building a community of human destiny, some scholars believe that “Kindleberger Trap” is not only an abstract theoretical concept, but also a potential crisis that needs to be warned (Mei, Zhen, 2018).

5. Conclusion

To sum up, scholars have conducted in-depth studies on the global value chain, the Belt and Road and its related concepts, “community of shared future for mankind” and “Kindleber Trap Theory”. Some scholars mainly analyzed the theory of global value chain, economic impact, governance structure, influencing factors, performance characteristics and dynamic mechanism. In the relevant studies on “global value chain” and “Belt and Road Initiative”, most scholars believe that it is feasible to study the integration of regional value chains of “Belt and Road” countries and their rising status in the global value chain. The Belt and Road Initiative is conducive to the improvement of China’s external competitiveness at this stage by promoting regional economic cooperation. Scholars at home and abroad have different understandings on the community of shared future for mankind. Both countries focus on the “Belt and Road” construction, but the two sides have different emphases. At the present stage, the impact of OFDI on global value chain is the focus of Chinese scholars. However, there are few articles on the integration of regional value chain of “One Belt and One Road” countries starting from the “Belt and Road” regional economic cooperation. “Kindleber Trap” holds that no country has the ability or is unable to supply international public goods but is unwilling to do so. It is worried that China will not assume the responsibility of public goods supply after its rise. Therefore, this paper has important theoretical value and practical significance to discuss the inevitability and feasibility of regional value chain integration in “Belt and Road” countries.
References