

## Analysis of Industrial Development Strategy Based on "Belt and Road"

Chao Lv

Jilin University of Finance and Economics, Changchun, China

lvchao9947@jlufe.edu.cn

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**Abstract:** The “Belt and Road” should be based on the transformation and upgrading of domestic industries. In the economic and trade relationship, it will lead the “Belt and Road” through the “Double Leading Strategy” and the high-end strategy of the value chain, and promote the internationalization of RMB through the “Belt and Road”. The so-called "Double Leading Strategy" is to implement the "creating domestic leading market strategy" and the "leading supplier strategy" for the “Belt and Road” countries in the strategic emerging industries and the fourth industrial revolution; the so-called high-end strategy of the value chain is under the condition of not giving up and strengthening China's low-end competitive advantage in the manufacturing value chain. It will build a global value chain controlled by Chinese enterprises and occupy the high-end links of the value chain. The “Belt and Road” strategy is the main way for the internationalization of RMB. Its success is based on RMB settlement, loans and investment. To this end, China needs to fully implement sovereign credit as soon as possible, strengthen capital project control, and adopt trade and real economic activities.

### 1. Introduction

Domestic mainstream academic view has always interpreted the “One Belt, One Road” strategy from the perspective of solving the problem of China's low-end and medium-end overcapacity and resolving the huge foreign exchange reserve. However, this interpretation not only underestimates the international background and far-reaching development of the “Belt and Road” strategy, and likely to have a serious adverse impact on the implementation of the strategy. This paper attempts to put forward a new strategy of “One Belt, One Road” industry development through the analysis of the serious defects of this interpretation.

### 2. The “double leading strategy” of industrial development and the high-end strategy of value chain

Interpreting the “One Belt, One Road” strategy as a short-term solution for China's low-end and medium-end overcapacity is short-sighted and is not conducive to the sustainable development of this strategy. This is because it will likely delay China's structural adjustment or supply-side reform with transformation and upgrading as its core. This will cause China's future conflicts with the "Belt and Road" countries in the industrial structure, and may lead to the loss of China's future in the "Belt and Road" countries in the competition.

One of the important roots of China's supply-side reform is that China's foreign trade structure is basically in the state of “importing high-end products and exporting low-end products”, which lies in China's “low-end melee and international division of labor”. The state of overcapacity, high-end failure and supply shortage. To change this state requires Chinese enterprises to make painstaking efforts in the transformation and upgrading. If there is no "One Belt, One Road" as the way out of the problem of overcapacity of low-end products, Chinese enterprises will face a dilemma, and only transformation and upgrading can survive. But if we simply interpret the “Belt and Road” as a way to solve the problem of overcapacity in China's low-end products, rather than based on a higher level of

strategic planning and policy guidance, then will domestic enterprises generate inertia and climb? The power of the high end of the value chain is greatly reduced? Since the economic structure has the characteristics of path dependence, will the idea of solving the excess capacity delay the transformation and upgrading of China's industry?

Under the circumstance that the idea of excess capacity has delayed the transformation and upgrading of China's industry, China's foreign economic and trade relations have simply changed into "importing high-end products from developed countries and exporting low-end products to developing countries." Under this circumstance, if foreign capital comes in to occupy the high end of China's value chain, and we go out and fight with other developing countries in the low-end market in the value chain, China can still leave these countries with industrial structure. Is there room for transformation and upgrading? Will the "Belt and Road" strategy succeed?

The historical lessons of Britain in the second half of the 19th century are worth noting. When the United Kingdom occupied the surplus of the first industrial revolution through globalization, the domestic market was dominated by emerging developed countries such as the United States and Germany. The occupation of the high-end products of the secondary industrial revolution led to the decline of British industrial power. The reason is that the UK simply uses globalization as a way out of surplus products. International competition is a process of continuous moving of dynamic goals. It is a process in which emerging industries and emerging technologies continue to overcome existing industries and existing technologies. History, theory and comparative research show that the leading position of emerging industries and emerging technologies can only pass. The domestic market to create, this is also the basis for domestic traditional industries to prioritize technological innovations in other countries.

This is why at the end of the 19th century, the United Kingdom, which simply pursued globalization from excess capacity, not only occupied the market of its domestic strategic emerging industries, but also the traditional surplus products originally exported by the United Kingdom in the developing countries' markets. It is also impossible to attract the competition of traditional products in the United States after the transformation of domestic emerging industries and emerging technologies. Therefore, simply addressing the problem of overcapacity in China's low-end and mid-end products will make it possible for China to lose its leading position in the competition of the "Belt and Road" countries.

The author believes that under the condition of not giving up and strengthening China's low-end competitive advantage in the manufacturing value chain, the "One Belt, One Road" industrial development strategy should be based on domestic transformation and upgrading, implementing the high-end value chain and "double leading strategy".

The "Belt and Road" strategy is not an isolated strategy. It is closely linked to the transformation and upgrading of China's domestic economic structure and the innovation-driven development strategy. The success of the "One Belt, One Road" strategy is inseparable from the success of domestic strategies. We should not simply encourage enterprises to go global. Instead, we should give priority to encouraging independent innovation and transformation and upgrading of effective enterprises to go out through taxation, foreign exchange and people's loans. This is also a boost to the supply-side reform of domestic industries. The so-called high-end strategy of the value chain is to build a global value chain controlled by Chinese enterprises and occupying the high-end links of the value chain in the "Belt and Road" countries. In this regard, there are many major issues that need to be studied. For example, how to encourage China's "One Belt, One Road" enterprise to establish a "global company" as a system integrator through the merger and reorganization of domestic enterprises (this is a different organizational form from multinational companies).

The so-called "double leading strategy" refers to grasping the historical opportunity of the fourth industrial revolution, implementing the "creating domestic leading market strategy" and implementing the "leading supplier strategy" in the strategic emerging industries. This is a fundamental competitive strategy that China should implement in the "Belt and Road" countries. As Schumpeter pointed out, "valuable competition is not the competition (the price of the original product), but the competition about new commodities, new technologies, new sources of supply, new

types of organizations... that is, the cost of ownership. a decisively favorable competition in terms of quality or quality, which is not the profit and output of existing enterprises, but the market base of these enterprises, which jeopardizes their lives. The difference in efficiency between this competition and other competitions is like the difference between a shelling and a freehand attack."

The implementation of the "domestic leading market strategy" internally aims to create a global leading market position in the fourth industrial revolution, transforming China's traditional industries with new technologies and local markets, and connecting the majority of small and medium-sized enterprises to a new value chain. The so-called external implementation of the "leading supplier strategy", its goal is to give play to China's advantages in the products, equipment and service providers of the fourth industrial revolution, and create a new competitive advantage for China in the "Belt and Road" countries for developed countries. At the end of the 19th century, the United States and Germany were surpassing the United Kingdom. Although they did not explicitly propose such a strategy, they were in line with the results of such a strategy. At present, China's "One Belt, One Road" strategy, the example of high-speed rail can be said to be close to this "double leading strategy."

### **3. Conclusion**

The "Belt and Road" strategy is a great strategic concept for China to transfer the focus of economic globalization to developing countries. It is a major change in China's economic globalization strategy and a new path for the new stage of economic rise in China's national conditions. With the transformation and upgrading and the RMB independent issuance mechanism, the "Double Leading Strategy" and the high-end strategy of the value chain will permanently promote the "One Belt, One Road" strategy to a glorious future.

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