

Discussion on “One Belt One Road” Construction and International Financial Cooperation

Qing Miao, Christian Asmussen*

King's College, London, United Kingdom

Abstract: Under the grand economic vision of opening up and cooperation among countries, the world economy is gradually recovering, and economic and trade exchanges between countries are increasing, which is an important sign of sound economic development. At the same time, we need the joint efforts of all countries to move towards the goal of mutual benefit and common development. We should fully develop one of the "one belt one road" in the economic construction. At the same time, we need to deepen economic cooperation, improve the investment and financing system and credit system, and China International Finance is particularly important. International financial cooperation is one of the difficulties things and “One belt one road” is the same. The financial market's influence on the economic outflow of funds is not to be ignored. Based on this background, one will take the "one belt one road" as the starting point to explore the problems of international financial cooperation.

Keywords: One belt one road; Construction; International finance

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***Corresponding author:** Christian Asmussen, 271581517@qq.com

1 International financial cooperation problems of “China's one belt one road”

1.1 The risk of international financial market

With the rapid development of global economy, the fluctuation of international financial market is

increasing. This year, novel coronavirus pneumonia outbreak has undoubtedly caused high and increasing costs to people worldwide. According to data released by the International Monetary Fund: The global economy is expected to contract sharply by 3% in 2020, worse than the economic crisis in 2008-2009 (Table 1). One belt one road, is also a huge financial risk. In the face of the sudden economic shock brought by the external environment, the international financial market is facing a rapid recession. For example, this epidemic has led to a sharp tightening of market conditions and a change in spending patterns. At the same time, the whole financial market has been riddled with holes, from an international perspective^[1]. First of all, the stock price of the whole financial market fell sharply at a high level, resulting in a large number of capital flows being trapped. In contrast, the interest rate gap in the credit market has soared, especially in high-risk areas such as high-yield bonds, leveraged loans and private debt. Due to the capital flow problems caused by the stock market and the high debt caused by the chain reaction, it is not intended to devalue the currency and push the risk of inflation to the forefront of the storm, so that the issuance activities in these areas have basically stalled. The enlargement of many factors makes the asset price change, which leads to the sharp tightening of financial conditions at an unprecedented speed. There are also signs of pressure in major short-term financing markets, including but not limited to the global dollar market, which is very similar to the market dynamics during the financial crisis a decade ago. This is most incisive "one belt one road", the high risk problem that exists in international financial trade at present.

Table 1. Comparison of annual percentage of GDP

| Country | Annual percentage plan of GDP | |
|---------|-------------------------------|------|
| | 2019 | 2020 |
| USA | 2.3 | -5.9 |
| Germany | 0.6 | -7.0 |
| Japan | 0.7 | -5.2 |
| UK | 1.4 | -6.5 |
| China | 6.1 | 1.2 |
| India | 4.2 | 1.9 |
| Russia | 1.3 | -5.5 |

1.2 Poor financial market environment

Because each country can not use a unified currency for economic exchanges, which will lead to the financial market trade because of the currency used is not unified, making economic activities more cumbersome. The first problem in the international market is the circulation of money. The amount of money needed in circulation is directly proportional to the total price of goods to be realized and inversely proportional to the average circulation speed of the same unit of money^[2]. Because each country can not use a unified currency for economic exchanges, which will lead to the financial market trade because of the currency used is not unified, making economic activities more cumbersome. However, different currencies have exchange rate problems, and the value gap between developed and

developing countries is more obvious (see Table 2). However, the degree of currency differentiation of each economy is undoubtedly further deepened, and the risk of inflation is increased. The lack of a strong regulatory review body, a unified, open and transparent financial organization in the international financial market, and the failure to cover all countries in the world lead to low participation. In recent years, the development of the new economic system is slow, and the growth rate is decreasing year by year. The growth rate of various international economies has declined significantly, and many well-known and old enterprises have declared bankruptcy, such as Merrill financial in the United States, the household night light cruise company in Japan, and the trip to China in Hamburg, Germany, which led to the collapse of the stock market.

Table 2. Currency exchange rate comparison

| Name of currency | Buying Rate | Purchase price of cash | Selling price of spot exchange | Selling price of cash | BOC conversion price |
|-------------------|-------------|------------------------|--------------------------------|-----------------------|----------------------|
| Australian dollar | 468.89 | 450.45 | 468.31 | 470.38 | 465.93 |
| Canadian dollar | 508.55 | 492.49 | 512.3 | 514.56 | 509.13 |
| Swiss Franc | 731.49 | 708.92 | 736.63 | 739.79 | 733.18 |
| DKK | 103.79 | 100.59 | 104.63 | 105.13 | 104.16 |
| euro | 774.58 | 750.51 | 780.29 | 782.8 | 776.53 |
| pound | 866.53 | 839.6 | 872.91 | 876.77 | 867.85 |
| HKD | 91.89 | 91.16 | 92.26 | 92.26 | 91.81 |
| dollar | 711.66 | 705.87 | 714.68 | 714.68 | 712.93 |

Note: Data from the official website of Bank of China

1.3 China's finance is in a low tide at present

From the latest data, according to the latest news released by China financial information network,

China's fiscal revenue in January April 2020 was 6213.3 billion yuan, down 14.2% year on year. General public revenue accumulated from January to April,

with the national general public budget revenue of RMB 6213.3 billion, down 14.5% year-on-year (Figure 1). From January to April, the national general public budget expenditure was RMB 7359.6 billion, down 2.7% year on year (Figure 2). Obviously, China's public revenue and public budget are showing a downward trend. Since the outbreak, in order to prevent the spread of the epidemic, many schools in China have been shut down, small and medium-sized enterprises have lost their economic income and faced the risk of bankruptcy, while college students who are close to graduation are also facing the risk of unemployment, economic downturn, imperfect financial construction and immature economic subject, which are all problems faced in the construction of "one belt one road" in the international economy. The financial downturn in China's early stage is the emergence of these problems.



Figure 1. General public budget income



Figure 2. General public budget expenditure

Note: Data source: China Information finance network

2 “One belt one road” strategy for international financial cooperation

2.1 Establish information feedback platform to reduce risks

“One belt one road” is a transnational activity of financial cooperation and cooperation. The risk of international finance is generally due to unexpected external factors. As well as the understanding of the economic situation and market demand of the international market is not comprehensive. Even though China has forecast and careful planning for the

future economy in the early stage, there are too many uncontrollable factors in the economy. In the face of the decline of stocks, the decline of market economy. The devaluation of currency and the increase of debt, among these many variables, China needs a feedback platform that can record the changes of international market economy in time. Be able to record and feed back the economic trends of various countries in the world and analyze the international economic data. This can avoid unnecessary risks^[3]. As a platform for China's and international financial contacts, this platform should attract more people to participate in and correct the errors in the information in time. At the same time, strict background audit is also required to resolutely put an end to the spread of false information. The “one belt one road” financial strategy and the better economic speech product will be truly implemented by market orientation and everyone can participate. Let China have an unshakable position in international finance, and let the economy have stronger international influence.

2.2 Optimize the financial market environment

The financial market environment of the whole world can not be changed by a single country, but by the joint efforts of all market participants. The establishment of an international financial organization shall formulate reasonable, compliant and fair market rules for the international financial market. With the support of the government, we will work together to change the chaos in the financial market. Each individual in international finance should take the responsibility of optimizing the financial market and strive for the international market environment without infringing his own interests. In the context of complicated financial transactions caused by currency, financial diplomacy should be presumed first, and countries with diplomatic friendship and strategic complicity should actively promote the process of RMB internationalization^[4]. The establishment of China based economic organizations attracts the participation of other neighboring countries, and promotes the export of commodities to have RMB as the currency of circulation. Many parties participate in economic activities, increase activities with financial institutions, and promote China's elite talents in important financial institutions, so as to play an important role in promoting the circulation of RMB and optimizing the market environment. The ultimate goal of “one belt one way” international financial cooperation has never been to maximize profits, but to make funds reasonably invested in social public facilities, education and talent

cultivation with the purpose of making profits. Under the guarantee of good market performance, to cultivate more social elites so as to make the society more stable and prosperous. No matter in China or other countries, only a solid foundation of the country can make the economic market stable, and the stability of each country is the stability of the entire economic market. At the same time, only the optimization of the international financial market environment, can the economy of each country get better and longer-term development.

2.3 Change the current economic difficulties

At a time when the international economy is in depression, it is necessary for the authorities to take timely, large-scale, timely, temporary and targeted financial measures to ensure that the temporary stagnation of economic activities will not bring lasting damage to the productive capacity of the economy and the whole society. For the suspension of work and school caused by the epidemic^[5]. First of all, banks can consider using the existing capital and liquidity buffers to absorb losses and financing pressure. Regulators can step in and help, such as financial support or subsidizing and reducing taxes based on the situation of businesses and individuals. Financial management companies should be allowed to effectively analyze and avoid the liquidity risk brought by large-scale economic activities with the international market. For students facing internships, we can consider opening the public examination quota this year and considering online interviews. And the whole Chinese economic market should also quickly formulate accurate and effective

measures, and be open and transparent, so that the whole economic market tends to get out of the dilemma smoothly.

3 Conclusion

China's "one belt one road" is an indispensable part of China's economic construction. But in the international trade pattern and the changeable trade rules, the problems faced by all countries are also not to be underestimated. China's "one belt one road" international financial system, which will be more in-depth exploration of its own problems, will enable China to grasp the great wave of international finance. To realize the steady development of China's economy and make great achievements in the world.

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