

The Road to Recovery

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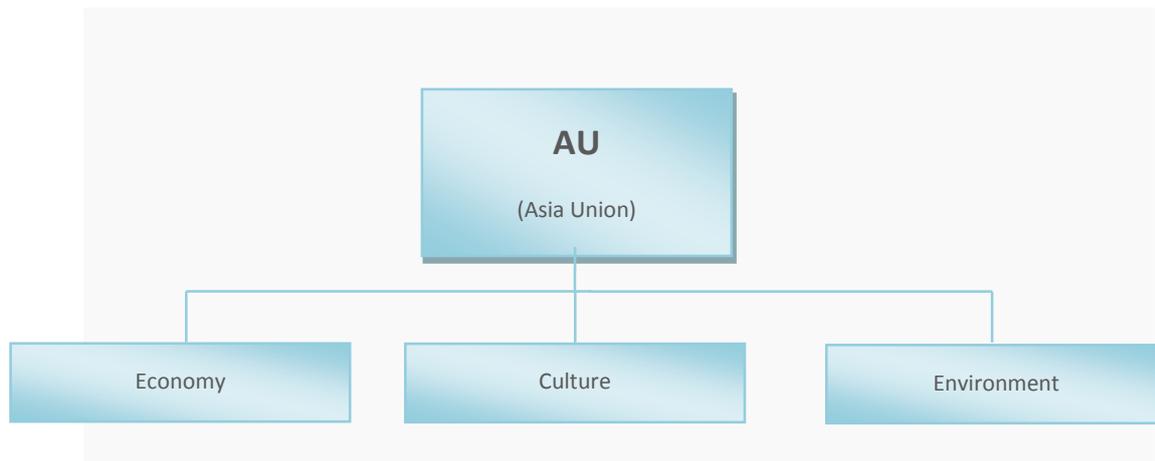
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Introduction

This paper proposes many suggestions on different levels of details under different suspects to model Asia Union. We tried to focus on some specific ideas to improve the environment for the Asian community.



One Belt One Road and Model Asian Union

In 138 B.C., Zhang Qian, the ambassador of Han Dynasty, went on a mission to the Central Asia. His travel has blazed the trail in the commercial trade which connecting Europe and Asia, known as the "Silk Road". Two millennia after that, China's President Xi Jinping visited Kazakhstan in 2013. He proposed to establish the "Silk Road Economic Belt" through this ancient commercial tie. In March 28th, 2015, the Chinese government has drafted and published the Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road to promote the implementation of the Initiative, indicating the "One Belt One Road"(OBOR) initiative was officially launched.

With reform and opening-up over the past decades, China has undergone enormous changes, and grown into one of world's major economies. But there are still many problems remained. In one respect, with a large proportion of the manufacturing industry, China enjoys a sufficient (indeed, an excess) production capacity, which is a

serious problem. In foreign trade, we also face the decrease of demographic dividend, the reduction in opening-up dividend and the weakening of export strengths and comparative advantages. With the concussion of the Subprime financial crisis and commodity prices dropping markedly on the global market, not only China but also the whole world's foreign trade volume growth is slowing down. The role of foreign trade as the engine of economic growth has been progressively weakened.

<i>Year</i>	<i>Index of export (World)</i>	<i>Index of import (World)</i>
2004	10.1	11.0
2005	5.8	6.6
2006	8.7	7.8
2007	6.5	6.5
2008	2.0	2.0
2009	-13.3	-13.2
2010	13.8	13.7
2011	5.4	5.4
2012	2.6	1.9
2013	1.9	2.5
2014	1.1	1.2

Source: Pei Changhong (2015)

Some countries in Asia have broad development prospects. Nonetheless, as the limitation of resources, they have a huge demand in the development of infrastructure and the manufacturing sector. OBOR initiative will work to promote the development of these countries, especially in the fundamental construction. Also, the formalization of co-operation and free trades in the region makes economic integration, liberalization and strengthens trade facilitation. In addition, it pushes the shift of China's manufacturing industry to overseas and relieves the stress of overcapacity situation. At the same time, encouraging the advantageous industries, such as architectural engineering, the high-speed train and engineering machinery to “go out”.

It's not hard to see that OBOR initiatives promote a new type of international relations featuring win-win cooperation. Of course, it is a systemic and long-range project as it relates to politics, economy, culture, security and other aspects. Thus, it requires to be promoted more prudential and orderly.

1. **Careful planning, positive cooperation and promoting exchanges**

" One Belt and One Road " construction is conducive to promote factor flow orderly, resource allocation efficiently, market deep fusion, achieving economic policy coordination of the countries along the "Road". It can help the countries and regions along the road to build political mutual trust, economic integration, and the cultural tolerance of community.

But at the same time, considering all the problems along the "Road" such as region geopolitical relationship is complex, some countries' political instability, ethnic and religious conflict has a long history, some countries' economic development is backward, their investment and trade environment are poor. We should strengthen the top-level design of the development blueprint and establish a good communication and coordination mechanism.

2.The economic win-win, improve the financial cooperation mechanism

“One Belt and One Road "needs to improve the regional financial cooperation. The Chinese government has announced many promises including \$40 billion for the Silk Road project Fund (Silk Road Fund) and \$50 billion for Asian Infrastructure Investment Bank (Asian Infrastructure Investment Bank, AIIB).

It is worth noting that in April this year, investment Banks intention founding member has been identified as 57 countries including Britain, France. Future cooperation between the government and enterprises should give full attention, in order to carry out activities to improve infrastructure along the "Road".

3.The cultural integration and connectivity

From the perspective of cultural economy, "One Belt and One Road" promoted the regional trade liberalization, provided the opportunity to "go out" for the enterprise. In addition to improve product competitiveness, enterprises should have international vision and brand awareness, which will "conquer" consumers with products and culture. "One Belt and One Road" can also break the institutional obstacle of connectivity; promote business, academia, the media, and in-depth exchanges between the people.

In September 2015, Chinese President xi jinping's visited the United States, put forward the future finance plan between the two countries, 50000 foreign students can study in each other's country with financial fund to promote cultural and academic exchanges.

All the countries along the "Road" can exchange students; develop cross-border tourism so as to strengthen the cultural fusion. At the same time, they can also carry out education, medical treatment, and ecological environmental protection in order to improve the production and living conditions in poor areas.

4. Green trade

Environmental problem is one of the most pressing questions in the world. "Major infrastructure and industrial investment projects inevitably accompanied by some human intervention on the natural ecological environment system"(Lu Feng ,2015), most of Asia countries are not developed countries, their economy development is relatively backward, most of their economic development follows the policy of "treatment after pollution", in our Asian community, there are some serious environmental pollution problems, such as pollution haze problem in China, there are some sudden factors impact (such as nuclear leak in Japan in 2011).They are not only the problems of one country, but across Asia. ShengBin and lvYue (2012) showed that the degree of FDI entrance presents u-shaped relationship with the quality and environmental improvement using 2001-2009 China's industrial data. Based on that, they think encouraging multinational corporations to conduct research and development concerning environmental protection is a good way to upgrade their products and industry as well as improve the environment.

Therefore, using the trade integration of the "One Belt and One Road" to bring the developed countries' cash and environmental technology into Southeast Asia, in order to solve problems of environmental pollution through high-tech and clean energy cooperation in Asia.

Establishing China-Japan-South Korea FTA

Today the world has entered an era of economic globalization and regional economic cooperation. While it becomes more and more important for global free trade, a regional economic cooperation is in full swing. From the trend of world trade development, the regional free trade area has become one of the main topics.

The establishment of China-Japan-South Korea FTA is conducive to the coordinated development of the internal economy among the three countries. It makes everyone can effectively play their respective advantages, improve labor productivity. The China-Japan-South Korea FTA will become a powerful pole in the world economy structure. The China-Japan-South Korea FTA will be a free trade zone which has nearly 1.5 billion consumers, the GDP of more than 70,000 billion dollars, nearly 2 trillion dollars trade volume, combined the world's most populous developing with the developed countries. This area will be in a good position in the fierce international competition; the FTA will bring greater benefits to the three countries.

China, Japan and South Korea have different interest demands for the establishment of the China-Japan-South Korea FTA. Therefore, the correct analysis of the impact of the establishment of the China-Japan-South Korea FTA on China's economy, and the development of specific coping strategies, is of great significance to promote China economic development.

1. Strengthening international cooperation

The bilateral trade between Japan China and South Korea is imbalance, which is caused by the difference of the import and export and commodity structure, and the two are inseparable. Chinese exports to Japan and South Korea have focused on labor-intensive products which has low value-added and is at the low-end of the value chain; and Chinese imports from Japan, South Korea mainly focused on technology and capital-intensive products, which have high additional value, and is at the top of the value chain. Therefore, the Chinese trades to Japan and South Korea have both been deficit. In order to reduce the trade deficit, China will take appropriate protective measures, while Japan and South Korea will adopt appropriate policies in order to maintain or even increase the trade surplus. Then this trade imbalance will lead to the emergence of bilateral barriers to trade and thus hinder the process of establishing a free trade zone.

China, Japan and South Korea should strengthen political mutual trust, and reduce trade barriers between each other through institutional cooperation. This will increase the size of intra-regional trade and investment and promoting specialization within the region and promote regional cooperation across China, Japan, and South Korea. The fundamental purpose of the establishment of China Japan and South Korea FTA is to obtain economic benefits. Thus, the three countries should actively cooperate in many fields such as finance, technology, environment, tourism, human resources and other aspects, and continue to learn from experience.

2. The elimination of trade barriers

Japan and South Korea have advanced technology and capital, and the domestic shortage of resources, it is desirable to obtain natural and labor resources from the FTA, while China is making industrial transformation and upgrading, so the three countries have different purposes of cooperation and strategy to free trade zone, are difficult to reach consensus for which industries and markets to open.

The level of economic development in the three countries differs, so there is a limit to establish a free trade area. We can learn from the successful experience of the NAFTA. The level of economic development of the US, Mexico and Canada are quite different, but the NAFTA countries take advantage of the economic differences in the levels, and give full play to the comparative advantage of countries. China is relatively backward in scientific and technological level, but the market potential is huge, while Japan and South Korea have a high technology development and a small market. Tripartite should gradually remove trade barriers, to achieve free flow of resources, technology and other elements, and the tripartite complement of market, to and finally "triple-win" objective.

Asian Monetary cooperation and the construction of AUMF

The Subprime crisis swept across the world in 2008, many countries in Asia subjected to this financial shock, China, Japan and Korea also cannot be an exception. The financial crisis reflects not only the imbalance of the financial innovation, but also the lack of regulation in the U.S. In the foreword of “the Demise of the Dollar” by Addison Wiggin, Ba Shusong, the Chief Economist of China Banking Association mentioned that, the American recession and the global economic downturn is the combination of the Oil crisis in 1970s and the NASDAQ bubble burst in 2001. Dollar will experience a continuing depreciate and those exchange systems who were pegged to the U.S dollar may collapse during the turmoil.

The demise of the dollar and floating of its exchange rate have adverse effect on Asian economic development. Though Asian economy has grown rapidly since 1980s, its model of export-oriented growth is highly relied on the external demand. A number of Asian governments pegged their currency to the U.S dollar, so that the depreciation of the dollar will cause the economic tremors. It is especially prominent in the Asian financial crisis in 1997. Japan’s lost decade also provides a convincing evidence.

In the face of this problem, we would like to suggest:

1. Strengthen the monetary cooperation among Asian nations

After the Asian financial crisis, Asian nations started to explore a new pattern of development—regional economic cooperation. There are ASEAN 10+3, APEC and Regional Comprehensive Economic Partnership (RCEP) which is promoting actively, etc.

Mundell (2000) had proposed that international monetary system can be return in the pattern of monetary union. The U.S dollar, the Euro and the Asian currency union, named “Three Island of Stability” constitute its basic structure.

EU countries are no longer dominated by the fluctuation of the dollar, and the Euro become second-biggest international reserve currencies. The U.S promoted QE after financial crisis makes the further devaluation of the dollar, which inflict enormous loss to Asian nations' foreign exchange reserves. There are more and more collaborations in Asian Union, reserve currencies diversification can prevent the overissue of reserve currency through competition mechanism, and pursue the stability of international currency order. Meanwhile, Asian monetary integration can reduce the risk of financial crisis and crisis contagion. As a result, Asian nations should explore a deeper monetary cooperation. Building up Asian monetary system, monetary integration, jointly floating based on a basket of currencies are the next steps of Asian monetary cooperation.

2. Establishing multi—level international economic aid system

The EU experience provides information on the trend of the Asian monetary development, is the Asian monetary integration. However, at the current stage, lacking of cohesiveness, large gap from different countries' political system and economic base are serious obstructions. At the same time, the limitation of single European currency is showing more and more. Some countries suffered serious debt crisis (e.g. Greek) which threaten the stability of EU currency system. We need to explore a different road with Euro, and it cannot be completed overnight.

The global economic downturn, once there is a policy change of the Fed (e.g. increase interest rate), interest goes opposite direction to other countries, will lead to a massive capital cross-border flow. It may harm the economy of emerging markets. To react to this situation, we need to achieve the monetary integration over the long term. In the short term, we should construct a system to prevent the adverse shock.

Firstly, we should call for large economies to endogenizative its spill-over effect of monetary policy.

Economists proposed the concept of Global Systemically Important Banks (G-SIBs) when they researched on systemic risk. Ma Jun (2015) extended this concept to the central banks—systematically important central banks (SICBs), means the central banks who can have effect on global market and economy (like the Fed). SICBs should undertake the world’s responsibility, increase its capacity of spill-over effect endogenization. Considering the influence to foreign countries when making monetary policy. And regularly publish the “spill-over effect report” just as IMF did.

Secondly, IMF has limited resource, some countries refused to accept its harsh BOP aid for some reasons (e.g. political considerations) when they suffered from a crisis. Thus, we suggest that to construct a regional liquidity aid system, which is more flexible, more multi-level and more suitable for Asian Union, the Asian Union Monetary Fund (AUMF). On one hand, ensure to give aid to Asian Union countries when they subjected by shock; One the other hand, establishing an efficient monitoring mechanism, preventing diffusion and contagion of the crisis.

Multinational joint declaration of intangible cultural heritage

On the seventeenth session of UNESCO held in Paris in 1972. They enacted the "Protection of the World Cultural and Natural Heritage Convention" which calls for the worldwide protection to some rare, irreplaceable cultural and natural heritage of the world.

The purpose of the "World Heritage Convention" is to protect cultural and natural heritage. Nowadays, peace and development are the theme of contemporary, friendly cooperation and exchanges is the common need of all mankind. Multinational joint declaration is in line with this historical trend, fully embodies the common needs of all humanity of the times, is bound to get recognition and support from the world's cultural sector.

On October 17, 2003, the 32nd General Assembly of UNESCO adopted the "Convention on the protection of intangible cultural heritage." Rescue, inheritance and protection to the intangible cultural heritage had become an important work to the all mankind.

In the declaration of the history of world cultural heritage, there are examples who had have successes in the process of the joint declaration. The joint declaration will once again mingled different civilizations with different levels of development origin countries, fully embodies the unity between different ethnic groups and friendship, but also make the cultural sector in all countries excited. Since it is a World Heritage Site, it should be put in the World Heritage range considerations. When a heritage's multinational joint declaration is more appropriate than one country's declaration, we should break the strict boundaries, make cross-border declaration.

Such as the Mid-Autumn Festival is not only China's traditional festivals, is also an important holiday in Japan, Korea, Vietnam, Singapore, Thailand, Myanmar, North Korea, India, Nepal, Indonesia, Laos and other countries. We should consider it as a multinational joint declaration of intangible cultural heritage for the following reasons:

1. The spread of multinational region.

Spread area of multinational is its most prominent features. Due to various reasons, there are multi-national intangible cultural heritage survive, develop and inherit in different countries, and deeply rooted in the soil of the local community, becoming an important part of the country's traditional culture.

2. The basic meaning of consistency.

The formation and development of intangible cultural heritage are closely linked with the local cultural environment, but are derived from the same civilization or some same common ideology has consistent basic connotation and practices. Mid-Autumn

Festival, the food and fruits are sacrifice for ritual, but also symbols of harvest. Many states offer sacrifices, pray to the moon and have other customs activities which are basically the same. The people wish for their better lives and the world become a better place

3. The differences of manifestation.

Although the basic content of intangible cultural heritage co-owned by many countries has consistency, but there is a big difference in activity content and specific form. For example, the activities and manifestations of Chinese Dragon Boat Festival and the Dragon Boat Festival in South Korea have a great difference:

(1) the duration is different. Chinese "Dragon Boat Festival" last only one day on lunar May, while "Jiangling Dragon Boat Festival" last a month.

(2) Different sacrificial offering objects. China's "Dragon Boat Festival" is sacrificing to the Dragon King, and to commemorate Qu Yuan, while "Jiangling Dragon Boat Festival" is sacrificing to the god of mountains.

(3) Activities are different. Chinese "Dragon Boat Festival" has activities like a dragon boat race, eating dumplings, wearing sachets, planting wormwood, plugging iris, while " Jiangling Dragon Boat Festival " is a large-scale folk activities, there are not only several festivals and masked ballets, but also farmers dance competition, Touhu, wrestling, playing swing, kneel competition, taekwondo, college football match, Chess competitions, temple fairs and other cultural programs.

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