

Challenges for China to Participate in the Global Value Chains

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***Abstract.** From the Reform and Opening Up, China has developed own economy to participate in the world economy. After entering the World Trade Organization, China gradually get the position in the global value chains, which is one of the most popular features in global economy. China, as one of the most important economics in the world, becomes one of the center of global value chains. Although it ranks the second place global economy, China still has some challenges during the process of participating in the global value chains. Only by understanding and solving the problems during the way, that China can improve its condition in global value chains and increase the position in world economy.*

***Key words:** global value chains; China; global economy; participate.*

First of all, China is still in the middle and low-end position in the global value chains, and companies have lower returns from the value chains.

Apple's mobile phone is a good example for such kind of situation. Each iPhone has a sticker on the back: "Designed by Apple in California, Assembled in China", which means that the iPhone was designed by Apple in California in the United States and assembled by China. It seems that "design" and "assembly" stand shoulder to shoulder in writing, but there is a big difference in the distribution of corporate profits. There is a study shows that, on each iPhone 4's production line, Chinese companies' profits only

accounted for 1.8% of total machine profits. As Apple's products are tightly tied to product design, software development, product management, and sales. At the contours of profit, most of the profits eventually flowed to the United States. It is undeniable that "Made in China" has been seen everywhere in the world, which shows Chinese manufacture has made a great progress and influence globally. But at the same time, it shows the position of China in the global value chains. According to the "smiling curve", if a country keeps staying in the middle of the process of production, less profit and development it would get. So the current situation of China that it still in the low-middle position of global production is a quite serious and considerable challenge. [1, p.14]

Second, China is at the middle and low end of the industrial chain and bears much greater market risks and environmental costs than upstream countries.

For developing countries, GVCs provide facilities for participation in the world economy. The most important manifestation is that the country does not need to have a complete production system and only needs to participate in a certain part of production. This has led many countries to ignore the existence of other problems in their eagerness to participate in the world economy. While undertaking the transfer of industrial expertise from other developed countries, China has not only developed and expanded its own manufacturing industry, but has also undertaken many resource-consumption and high-pollution enterprises. This has led China to develop itself while sacrificing environmental issues as a basis for development. When the Chinese government realized this problem and resolved it, the environmental issue has indeed existed. On April 21st, 2011, the People's Daily announced the results of China's macroeconomic strategy research and pointed out: "The environmental conditions in our country have been

partially improved, the overall situation has not been curbed, the situation is still grave, the pressure continues to increase, and the environmental pressure is greater than any country in the world. The issue of environmental resources is more prominent than any other country and it is more difficult to resolve than any other country." [2, p.23]

Third, as a manufacturer and assembler, China often only produces according to the design of other countries. This is not conducive to the independent innovation of Chinese companies, and it is not conducive to the upgrading of domestic industries and the birth of Chinese brands.

Although developing countries participate in the global value chain as an important way to achieve long-term industrial upgrading, there are also a few countries adopting the simple follow-up development model. To a certain extent, there has been a low-level lock-in of the industry, and some industries have long been trapped in low- In terms of areas that cannot be upgraded, some middle-income countries have regressed because of being trapped in the middle-income trap. China has entered the middle-income stage, the imbalance between internal and external economic imbalances has deepened, and the resource ecological environment and social constraints have increased. If we do not combine the participation of global value chains with the cultivation of our own regional and industrial value chains, foster economic endogenous development and innovation. Capacity, optimization of the business environment, and promotion of fair competition will not increase the spillover effect and openness of participation in global value chains. Even partial areas will fall into the trap of simple follow-up development. Some industries are locked in low-end and cannot change with internal and external situations. And constantly upgrading can only be eliminated.

Fourth, Increased trade friction between China and developed countries. The products of China and developed countries are very different. The previous years were very complementary. Now it is increasingly competitive. It is precisely because of the competition that there are more and more trade sanctions initiated by interest groups against China. In fact, according to the division of labor in China's original global value chain, China is mainly engaged in intermediate processing and final product assembly. These production activities are more complementary to developed countries that mainly engage in product design R&D and marketing, and they together with other countries form a global value chain. When China tries to break through the original role of division of labor and enter other parts of the value chain, it will inevitably impact the original division of labor in the global value chain. When relevant interest groups in developed countries lobby the government, it is easy to trigger trade friction between China and developed countries. This phenomenon is realistic for all developing countries that wish to promote the status of division of labor. [3, p.46]

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