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Ye Yuhu

Belarus State University

(Minsk, Belarus)

INTERNATIONAL TAX COORDINATION UNDER CHINA’S “BELT AND ROAD” INITIATIVE

The paper shows that since China’s “Belt and Road” initiative was proposed, China’s overseas investment has faced many risks, among which the problem of tax coordination is one of the reasons for the existence of these risks. China has made some efforts to solve the problem of international tax coordination, and has achieved success in cooperation with the Republic of Belarus.

Key words: *“Belt and Road” initiative, tax coordination, investment, cooperation.*

В статье показано, что, с тех пор как была предложена китайская инициатива «Пояс и путь», китайские зарубежные инвестиции

были подвержены многим рискам, среди которых проблема налоговой координации на международном уровне является одной из причин существования этих рисков. Китай предпринял некоторые усилия для решения проблемы координации национальных налоговых систем, а также добился успеха в сотрудничестве с Республикой Беларусь.

Ключевые слова: инициатива «Пояс и Путь», налоговая координация, инвестиции, сотрудничество.

During a visit to Kazakhstan in 2013, Chinese President Xi Jinping proposed the “Belt and Road” initiative, which was quickly recognized by all countries in the world. After nearly a decade of development, China and countries along the “Belt and Road” have achieved fruitful cooperation results, according to the statistics of China’s Ministry of Commerce, from 2013 to 2019 China’s cumulative direct investment in countries along the “Belt and Road” has exceeded 136 billion US dollars, signed new project contracts of more than 940 billion US dollars, and completed a cumulative turnover of about 640 billion US dollars. According to the statistics of “China Global Investment Tracker” released by the Heritage Foundation, from 2013 to 2019, Chinese enterprises carried out 978 overseas large-scale projects and engineering construction transactions with an investment of more than 100 million US dollars each in 56 countries along the “Belt and Road”, with a cumulative investment of 511.1 billion US dollars. The countries along the “Belt and Road” are generally developing countries, and these countries have a great need for funds, and China’s “Belt and Road” initiative has opened up a win-win situation for both sides [1].

Although China has been trying to expand overseas investment, it also faces many difficulties in promoting the “Belt and Road” initiative, and in early 2014, a total of 32 large-scale projects suffered serious failures when China made direct investment in countries along the “Belt and Road” initiative. Accounted for 24.6 % of the total number of failed outbound investments in China’s large-scale projects; Among the failed FDI projects in countries along the Belt and Road, China lost a total of 56.02 billion US dollars, accounting for 23.7 % of

all failed projects. Most of these failed megaprojects are concentrated in West Asia and ASEAN countries, where China lost 25.99 billion and 16 billion US dollars respectively, accounting for 52.7 and 28.5 % of the total amount of failed large-scale projects directly invested in countries along the “Belt and Road” respectively [2].

One of the important factors contributing to the failure of Chinese overseas investment is the problem of improper international tax coordination. From China’s own point of view, China’s current international investment project tax declaration information is not perfect, there are shortcomings in the tax registration of overseas investment, China’s current tax system has not set up an independent international tax regulator, the tax department under the agency supervision, which leads to the existence of relevant clerks in the Chinese tax system are not familiar with the supervision of international taxation. Inefficient work and frequent errors do not meet China’s growing tax regulatory needs for overseas investment. In addition, China’s tax information management system has not designed a special subsystem for the management of overseas investment by Chinese enterprises, and it is difficult to manage the database of overseas tax declaration materials of Chinese enterprises. Externally, the tax systems of countries along the “Belt and Road” are different and complex, and the tax collection methods and tax calculation methods are complex. Tax authorities in some countries are inefficient and lack supervision. The existence of these problems has led to Chinese enterprises facing double taxation or led to a reduction in China’s tax burden, which seriously affects the effect of China’s outbound investment.

In order to solve the problem of international tax coordination, China has been dealing with other countries since 2013. Fifty-four countries along the “Belt and Road” have signed bilateral tax treaties, with three multilateral treaties: the Multilateral Convention on Mutual Administrative Assistance in Tax Matters, the Agreement between Multilateral Competent Authorities on Automatic Exchange of Tax-Related Information in Financial Accounts, and the Multilateral Convention on the Implementation of Tax Treaty-related Measures

to Prevent Base Erosion and Profit Shifting [3]. However, it should be noted that most of these tax treaties were signed earlier, the update lagged behind, and the content can no longer meet the current needs of economic cooperation, and it is difficult to adapt to the new international tax situation. In order to strengthen the “Belt and Road” tax coordination and regional multilateral tax cooperation, on April 18, 2019, the State Administration of Taxation of China led the first “Belt and Road” tax collection and administration cooperation forum in Wuzhen, Zhejiang Province for the first time under the theme of “Building the Belt and Road: Strengthening Tax Cooperation and Improving the Business Environment”. During the forum, the tax authorities of 34 countries (regions) jointly signed the Memorandum of Understanding on the “Belt and Road” tax collection and administration cooperation mechanism, and formally established the “Belt and Road” tax collection and administration cooperation mechanism, although some substantial progress has been made. However, it still needs to be further deepened to make up for the shortcomings of the existing international tax order and continue to promote its development in a more reasonable and fair direction.

China and Belarus have also made many positive explorations in tax cooperation and have obtained good results. After extensive communication and exchanges between China and Belarus, Belarus agreed to establish a bonded warehouse zone in industrial parks in China and Belarus, and for this purpose corresponding tax and other incentives have been promulgated, which will help Belarusian enterprises enter international markets and upgrade themselves, as well as make it easier for foreign companies to find joint venture partners. The setting up of bonded warehouses has expanded the attractiveness of more interested companies to invest and settle in the China-Belarus Industrial Park. The Park proposed to improve the air linkage, include Minsk International Airport in the special economic zone, and add chapters on the relevant procedures and tax regulations of bonded warehouse business. If EU standards (Item 1) are explicitly included in this special legal regime, this means that it will be easier for resident

companies to export to the EU market, or that EU-oriented companies will face fewer obstacles when producing in parks [4]. Over all, the connectivity between the China-Belarus Industrial Park and the EU has been strengthened. The successful cooperation between China and Belarus has positive reference significance for cooperation between China and other countries along the “Belt and Road” initiative.

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Lian Jingnan

*Xiaoyaoyou Creative Culture Co., Ltd
(Dalian City, China)*

CHINA’S THE BELT AND ROAD INITIATIVE: BACKGROUND AND SOURCES

The Belt and Road Initiative proposed by China is based on the ancient Silk Road and modern industrial and commercial globalization civilization