Effects of Trade Cooperation Between China and Central Asian Countries -- A Study Based on The Silk Road Economic Belt

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Abstract

Accelerating and advancing globalization and regional integration have intensified in the world, trade cooperation among countries in all aspects has become the main theme of the global economy. To build the in-depth connection, China promotes a global strategy with its theme of the Belt and Road (the Maritime Silk Road, the Silk Road Economic Belt). Central Asian countries are located at the center of Eurasia and had played a crucial role since ancient times. Today, with the prominent geo-strategic location, Central Asia has become the central hub of the Silk Road Economic Belt. Given the overall context of the Belt and Road initiative, this paper provides an in-depth study on economic effects of regional economic and trade cooperation between China and Central Asian countries through empirical and quantitative analyses.

Keywords

The Belt and Road; Central Asian countries; economic and trade cooperation.

1. Introduction

From the 21st century, Central Asian countries become the heart of the New Silk Road Economic Belt. Although the long-term cooperative relationship between China and Central Asian countries, the Silk Road Economic Belt still inevitably faces many challenges. Therefore, based on the perspective of the New Silk Road Economic Belt, this article would discuss potential issues from economic and trade cooperation between China and Central Asian countries.

This paper summarizes the possible development opportunities and potential difficulties from the framework of economic and trade cooperation between China and Central Asian countries. The introduction of an extended gravity model of trade would allow us to evaluate the trade effects and the main target, pattern, strategy and safeguard mechanism of economic and trade cooperation between China and Central Asian countries were proposed, which was of great practical significance to the regional economic and trade cooperation between China and Central Asian countries in the Silk Road Economic Belt context.

2. Literature Review

Zhu (2006) 1 first proposes the concepts of “the New Silk Road Economic Belt” and defines it from the perspective of economics. He believes that the "New Silk Road Economic Belt" is a ribbon-shaped economic cooperation zone developed on the New Silk Road. It would be driven by the free flow of trade and factors of production within the zone and relied upon the central cities and transportation facilities along the Silk Road. Through research, it has been found that the economic development of China and many Central Asian countries has become more rapid. Meanwhile, the important transportation construction has been carried out in China. Guschin (2015) 2 believes that in the Silk Road Economic Belt construction, China should fully recognize

the pressure from Russia, whether in politics, economy or culture. China should actively respond to and reduce such geopolitical pressure from other powers if possible. Wang (2008) 3 , in the study of cooperation between China and Central Asia, argues that Central Asian countries tend to be politically stable and have a good foundation for economic development. Their trade relationship between China and these Central Asian countries is constantly increasing, and the trade relationship still can be extensively developed. This economic and trade cooperation will inevitably further develop, which cannot be reversed. Johansson (2012) 4 believes that as China's economic strength has been growing, China's monetary policy will have an expanding influence, especially on neighboring countries and their financial markets. Wang (2010) 5 makes a comparison of regional cooperation mechanisms between China and Central Asia and points out that many cooperative fields and targets are shared among these countries even though these countries have own priorities. So, there is not only competition in the economic and trade cooperation but also merger opportunity. Foreign scholars' research on economic effects of regional economic and trade cooperation mainly starts from theoretical and empirical perspectives. Meade (1953) 6 proposes that the establishment of a customs union had a partial consumption effect, which could lead to a substantial reduction in tariffs and trade barriers for member states and thus promote the growth of domestic demand and increase the country's imports. Bhagwati (1968) 7 proposes that the establishment of customs unions in underdeveloped countries would be affected by trade creation effects, leading to industrial competition and improving trade conditions. Kindle Berger (1985) 8 constructs the theory of investment creation and investment diversion in his study. He proposes that regional economic and trade cooperation has investment creation and diversion effects.

3. Model Description and Data Specification

3.1. Theoretical Analysis and Hypotheses to Be Tested

The gravity model is a mathematical model applied to analyze and predict spatial interaction and has been widely used in various disciplines for a long time. Tinbergen (1962) and Poyhonen (1963) first applied the gravity model into the economic field before the model has been widely used in theories of international trade. In this model, two economies' trade flows are proportional to their economic sizes and inversely proportional to the distance between them. The specific formula is:

$$Tr_{ij} = AG_i G_j / Dis_{ij} \quad (1)$$

where Trij represents the total bilateral trade between country i and country j; Gi and Gj respectively represent the national incomes (mainly expressed by GDP) of country i and country j; Disij refers to the geographical distance between country i and country j. A conventional measurement method is to calculate the straight-line distance between the capitals / two central cities of the two countries. A is a proportionality constant.

After the relatively complete and convenient economic gravity model proposed by Tinbergen (1962) and Poyhonen (1963), H.Linnemann (1996) further develops this model by introducing demographic factors. The relationship between economic sizes and trade flows of two countries based on influence of demographic factors is described. On this basis, in order to more fully examine the influence of variables of different dimensions on trade flows of the two countries, scholars began to try to introduce more variables into the gravity model of trade, such as land area and exchange rate. The extension of the model adds dummy variables since dummy variables would enable us to examine the impacts of exogenous factors on the trade flows, such as the presence of a certain regional organization, adjacent locations, and the establishment of regional economic cooperation organizations.

According to this theory, the following hypotheses are proposed in this section:

Hypothesis 1 (H1): The larger the economic size is, namely the greater the export potential and import demand are, the larger the trade flows of the two countries will be.

Hypothesis 2 (H2): The larger the population size is, namely the greater the export potential and import demand are, the larger the trade flows of the two countries will be.

Hypothesis 3 (H3): The higher the per capita GDP is, on the one hand, the stronger the output capacity will be, which has a positive effect on the trade flows of the two countries; on the other hand, the larger amount and higher level of products people will need, which will create larger trade space.

Hypothesis 4 (H4): The extension of transportation distance will increase the cost and thus write down the trade income.

Hypothesis 5 (H5): Neighboring countries have effectively reduced trade costs and share similar cultures, so it's easy to develop a good-neighborly friendship.

Hypothesis 6 (H6): If both countries are members of a regional cooperation organization, the institutional arrangements for economic and trade cooperation and the convenience and preferential conditions of trade settlement inside the interbank consortium can promote the increase in trade volume.

Hypothesis 7 (H7): If both countries are members of the WTO, trade barriers can be effectively reduced and reciprocal tariffs can be enjoyed, which will facilitate the expansion of bilateral trade.

3.2. Measurement Model

The theoretical analysis on trade creation effects showed that the trade creation effects are the comprehensive effects of trade protection and free trade in an investigated area. This also means that in the investigation of trade effects between China and five Central Asian countries, dummy variables should be specifically added to examine the effect of the Shanghai Cooperation Organization (SCO). Based on the gravity model of trade and combining domestic and foreign related findings, this study introduced new effective variables and dummy variables to discuss trade creation effects between China and five Central Asian countries.

During the measurement of foreign trade volumes between China and the Central Asian countries, a larger foreign trade volume means closer bilateral trade between two countries and is regarded as a direct indicator for good bilateral economic and trade cooperation. Good economic cooperation is the basis for further improvement of bilateral trade in quality and quantity. Meanwhile, an extended gravity model of trade between China and five Central Asian countries is built by adding different variables such as China's per capita GDP, China's nominal GDP, Central Asian countries' GDP, the distance between the capitals of two countries, whether bordering or not, and whether both countries are members of SCP/WTO or other regional / global organizations. The functional form of econometric model is written as

$$\ln trade_{it} = \beta_0 + \beta_1 \ln(G_i G_j / Dis_{ij}) + \beta_2 \ln(G_i G_j / Dis_{ij}) \cdot Dum_{it} + \gamma X + \varepsilon_{it} \quad (2)$$

where TRADEit indicates the total bilateral trade between China and Central Asian country i in year t. β0 is a constant and refers to the overall average intercept. β1, β2, and γ are independent variable coefficients, which refer to the regression coefficients of various explanatory variables, and εit refers to the random error.Gravity model shows that trade volume is a function of GiGj/Disij. So GiGj/Disij was taken as a variable during the establishment of the measurement model.Table 1 summarized the symbols, descriptions, and theoretical bases of each variable 9.

Table 1. Explanations, expected directions and theoretical bases of variables

Factor	Independent variable	Variable description	Symbol	Theoretical basis
Economic factors	Gt and Git	The nominal GDP of China and Central Asian country i in year t (million dollars)	+	Reflect a country's export capacity and import demand. The larger the economic size is, namely the greater the export capacity and import demand are, the trade flows of the two countries will be.
	Pi and Pit	Populations of China and Central Asian country i in year t (person)	+	Reflect a country's population size. The larger the population size is, namely the greater the export potential and import demand are, the larger the trade flows of the two countries will be.
	PCYt and PCYit	The nominal GDP per capita of China and Central Asian country i in year t (million dollars)	+	Reflect the economic development level and resident wealth degree of two countries. The higher the per capita GDP is, on the one hand, the stronger the output capacity will be, which has a positive effect on the trade flows of the two countries; on the other hand, the larger amount and higher level of products people will need, which will create larger trade space.
Geographical factors	Dis_{ij}	The distance between the capitals of two countries (km)	-	The extension of transportation distance will increase the cost and thus write down the trade income.
	$BORDER_i$	Dummy variable is set to "1" when China borders Central Asian country i, otherwise it is "0".	-	Neighboring countries have effectively reduced trade costs and share similar cultures, so it is easy to develop a good-neighborly friendship.
Political factors	SCO_{it}	Dummy variable is set to "1" if Central Asian country i is a member of the SCO in year t, otherwise it is "0."	+	If both countries are members of a regional cooperation organization, the institutional arrangements for economic and trade cooperation and the convenience and preferential conditions of trade settlement inside the interbank consortium can promote the increase in trade volume.
	WTO_{it}	Dummy variable is set to "1" if Central Asian country i is a member of the WTO in year t, otherwise it is "0."	+	If both countries are members of the WTO, trade barriers can be effectively reduced and reciprocal tariffs can be enjoyed, which will facilitate the expansion of bilateral trade.

3.3. Estimation Methods and Data Description

The subjects of this study are China and five central Asian countries. In order to better analyze the effect of the SCO on member states in the region, this study adds 5 additional economies (Russia, Belarus, Ukraine, Azerbaijan and Mongolia). The main reason is that the above 10 economies are close to China and 5 of them are members of the SCO. The other 5 non-member states (Belarus, Ukraine, Azerbaijan, Mongolia, Uzbekistan) are similar to Central Asian countries in the economic development level, geographical location, trade structure, etc.

Based on the validity and availability of data, this study selected China and 10 Central Asian economies' data from 1998 to 2016 as study samples, of which:

(1) China and 10 Central Asian economies' bilateral trade volumes are from UN Comtrade Database (http://comtrade.un.org/).

(2) GDP and per capita GDP data are from the World Bank WDI database. The total GDP is calculated with 2010 as the base period. The impact of inflation is subtracted by using CPI; Uzbekistan and Turkmenistan's CPI data are missing, so interpolation was used to estimate and correct the data.

(3) China and 10 Central Asian economies' population data are subject to the data published in these countries' government statistics websites.

(4) The distances (km) between China and 10 Central Asian economies' capitals are calculated by the “distance calculator” on the website www.indo.com.

(5) Whether bordering or not is confirmed by reading a world map. Whether being a member of the SCO / WTO is confirmed by inquiring the SCO website (www.sectsco.org) and the WTO website (www.wto.org).

4. Empirical Analysis

To intuitively analyze the trade complementarity between China and Central Asian countries, the trade data of the United Nations Statistics Division (UNSD) and the statistics database of the Economic and Social Commission for Asia and the Pacific (ESCAP) were used.The Standard International Trade Classification (Revision 3) method was used to sort out data.The Balassa index (also called "the revealed comparative advantage (RCA) index") was used to analyze the trade complementarity between China and five Central Asian countries.RCA refers to the ratio of the share of a country's exports of a product in the world's exports of the product to the share of the country's exports of all products in the world's total exports.

$$RCA=\frac{X_i^a / X_i}{X_w^a / X_w}$$

If RCA > 2.5, the regional merchandise export shows an extremely strong revealed comparative advantage. If 2.5 ≥ RCA ≥ 1.25, the international competitiveness is extremely strong. If 1.25 ≥ RCA ≥ 0.8, there is a moderate comparative advantage. If RCA < 0.8, the advantage is weak. According to both countries' data, the RCA indexes of both countries were shown in Table 2.

4.1. Empirical Tests of Trade Creation Effects

(1) Unit root test results

In many methods for testing panel data, the LLC test that assumes a common unit root and the IPS, ADF-Fisher and PP-Fisher that assume different unit roots were used in this article. If all the four methods reject the original hypotheses, then it means that the sequence is stationary. Conversely, if they accept the original hypotheses that there is a unit root, it indicates that the sequence is non-stationary. The unit root test results for panel data based on the above 4 methods were shown in Table 3 below.

Table 2. RCA indexes of China and five Central Asian countries from 2009 to 2013

Country	Year	0	1	2	3	4	5	6	7	8	9
		Food and live animals mainly for consumption	Beverages and tobacco	Crude materials, inedible, except fuels	Mineral fuels, lubricants and related materials	Animal and vegetable oils, and fats	Chemicals and related products, n.e.s.	Manufactured goods classified chiefly by material	Machinery and transport equipment	Miscellaneous manufactured articles	Commodities not classified elsewhere in the SITC
China	2009	0.443	0.159	0.2	0.13	0.055	0.4456	1.185	1.431	2.163	0.024
	2010	0.461	0.159	0.185	0.12	0.047	0.496	1.193	1.432	2.185	0.018
	2011	0.464	0.161	0.184	0.105	0.05	0.554	1.268	1.451	2.275	0.025
	2012	0.439	0.167	0.174	0.09	0.049	0.518	1.288	1.435	2.379	0.014
	2013	0.417	0.151	0.166	0.093	0.054	0.501	1.303	1.429	2.344	0.017
Five Central Asian countries	2009	0.626	0.691	1.95	5.02	0.12	0.368	1.081	0.042	0.046	0.549
	2010	0.602	0.732	1.543	1.808	0.133	0.373	1.019	0.039	0.046	0.549
	2011	0.379	0.649	1.702	4.22	0.068	0.301	1.05	0.05	0.053	0.473
	2012	0.56	0.785	1.636	3.961	0.096	0.358	1.125	0.073	0.091	0.307
	2013	0.549	1.12	1.427	4.328	0.127	0.347	0.847	0.081	0.066	0.233

In the above table, the trade complementarity between China and five Central Asian countries was studied based on comparative advantage indexes.The results showed that China's products in Units 6 (Manufactured goods classified chiefly by material), 7 (Machinery and transport equipment) and 8 (Miscellaneous manufactured articles) had stronger competitiveness.While Central Asian countries' products in Units 1 (Beverages and tobacco), 2 (Crude materials, inedible, except fuels) and 3 (Mineral fuels, lubricants and related materials) had stronger competitiveness. The above conclusions could be drawn by further comparison analyses.

Table 3. Unit root test results of economic variables

Variable	LLC test	IPS	ADF-Fisher	PP-Fisher	Test result
InIM	0.30331	2.24162	8.85062	8.45531	Non-stationary
InTREADM	0.9709	3.36110	4.62076	3.04334	Non-stationary
InGDPtGDPit	5.09254	8.36017	0.34829	0.16118	Non-stationary
InPtPit	6.22617	7.05934	13.7033	10.8209	Non-stationary
InPCYtPCYit	4.09213	5.01456	11.2241	2.32501	Non-stationary
D(InIM)	-8.88234***	-9.52868***	109.082***	124.085***	Stationary
D(InTREADM)	-4.63051***	-3.654123***	64.2535***	72.0954***	Stationary
D(InGDPtGDPit)	-3.52145***	-1.82064***	35.0504***	25.2204***	Stationary
D(InPtPit)	-2.74621***	-2.05461***	30.8373***	40.5308***	Stationary
D(InPCYtPCYit)	-5.54126***	-5.65417***	55.2142***	62.1497***	Stationary

Data source: Each variable and first-order difference analysis for panel data unit were collected according to the test summary.

Note: ***, **, * were significance level at 0.01, 0.05, and 0.1; D() indicated the first-order difference of the variable.

According to the unit root test results in Table 2, it could be seen that the first-order differences of economic variables InIM, InTREADM, InGDPtGDPit, InPtPit and InPCYtPCYit rejected the original hypotheses, indicating that first-order differences had stationary sequences. A cointegration test was performed on this basis.

(2) Cointegration test

The cointegration test can maximize the problem of pseudo-regression. In this study, it is assumed that H0 indicates that there is no cointegration and alternative hypothesis H1 indicates that there is cointegration. The results of the Pedroin test and Kao test, respectively, are shown in Tables 4 and 5 below.

Table 4. Pedroin test results of trade creation effects

Statistical variable	statistic	P	Weight statistic	P
Panel v	0.615050	0.1228	-0.413354	0.2999
Panel rho	-0.420182	0.1870	-0.537464	0.1472
Panel PP	-1.548446	0.0374	-1.945237	0.0199
Panel ADP	-1.314018	0.0662	-1.747175	0.0275
Group rho	-0.670871	0.6715		
Group PP	-1.947710	0.0198		
Group ADF	-1.784156	0.0241		

Table 5. Kao test results of trade creation effects

Statistical variable	t-statistic	P
ADF	-1.772162	0.0, 52

From the Pedroin test results in Table 4, it could be seen that at the significant level of 0.01, several statistical variables had significant p-values when they had no trends. Kao test results (Table 5) also showed that ADF had a p-value less than 0.01 without trends. Therefore, the original hypothesis H0 was rejected and there was a cointegration relation.

The next regression analysis was performed. To better determine the form of panel equation coefficients, this study needed to further determine the slope and intercept of the panel equation. The degree of freedom (DOF) and the squares of residuals were calculated in both the constant coefficient model without constraint conditions and the variable coefficient model with constraint conditions.

$$\begin{aligned} In(TRADE_{it}) &= \alpha + \alpha_t^{/} + 1.018(GDP_t * GDP_{it}) + 2.192(P_i * P_{it}) + \\ &- 2.748(PCY_t * PCY_{it}) - 5.658In(DIST) + 3.371In\ \ BORDER \\ &+ 0.189SCO + 0.059WTO + \mu_{it} \end{aligned} \tag{3}$$

Table 6. Template regression results

	Dependent variable IN (TRADEit)				
	Equation 1	Equation 2	Equation 3	Equation 4	Equation 5
Intercept (c)			-193.903** (-2.29)	-188.178** (-2.227)	
In（GDPi*GDPit）	2.309** (7.513)	2.367*** (5.499)	29.458** (2.367)	31.523* (-2.562)	1.018*** (3.261)
In（PCYi*PCYit）	-1.319*** (-3.118)	-1.369** (-2.661)	-29.532** (-2.292)	-31.176** (-2.443)	-2.748** (-2.314)
In（Pi*Pit）	1.190** (6.711)	1.210*** (5.881)	1.567*** (6.605)	1.958* (1.857)	2.192** 2.025
In（DIST）	-3.898*** (-14.676)	-3.958** (-9.942)	-2.968*** (-4.031)	-5.768*** (-4.793)	-5.658*** (-4.462)
BORDER				3.189*** (-2.227)	3.371*** (3.447)
SCO			0.896* (1.859)	0.884** (2.818)	0.189** (2.878)
WTO		0.059 (0.205)			
Adjust R2	0.925	0.924	0.926	0.926	0.921
(F value)			123.391	124.764	
Cross-section effects	None	None	None	None	None
Time series effects	None	None	None	None	None

Note: Eviews 6.0 software was used for model analysis; equations were estimated with the feasible generalized least squares (GLS) method; data in parentheses were t-statistics; ***, **, and * were significant at the levels of 0.01, 0.05, and 0.1, respectively.

4.2. Empirical Tests of Trade Diversion Effects

The above unit root tests for panel data showed that first-order differences had stationary sequences, so the next cointegration test could be performed. Similar to the cointegration test for analyzing trade creation effects, this text assumed that H0 indicates that there is no cointegration while the alternative hypothesis H1 indicates there is cointegration. Pedroin and Kao tests were performed respectively and the results were shown in Tables 7 and 8 below.

Table 7. Pedroin test results of trade diversion effects

Statistical variable	statistic	P	Weight statistic	P
Panel v	2.051295	0.0192	-2.041618	0.0190
Panel rho	-2.473143	0.0038	-1.606468	0.0358
Panel PP	-4.248267	0.0000	-3.095622	0.0007
Panel ADP	-3.099854	0.0006	-2.344728	0.0069
Group rho	-0.622787	0.1294		
Group PP	-3.862098	0.0000		
Group ADF	-3.383930	0.0001		

Table 8. Kao test results of trade diversion effects

Statistical variable	t-statistic	P
ADF	-1.591283	0.0495

From Tables 7 and 8 above, it could be seen that without trends, p-values of statistical variables involved in the Pedroin test were all significant, and only the p-value of Group rho was greater than 0.1. In the Kao test without trends, ADF's p-values less than 0.1 rejected H0, indicating that there was a cointegration relation. According to the trade gravity model and trade creation effects model mentioned above, the specific formula is as follows:

$$\begin{aligned} In(TRADE_{it}) &= \alpha + \alpha_t^{/} + 0.273035(GDP_t * GDP_{it}) - 0.841245(P_i * P_{it}) + \\ & 0.841245(PCY_t * PCY_{it}) - 1.99128 \mathrm{In}(DIST) + 2.335142 \mathrm{In}\ \ BORDER \\ & + 0.218603 SCO + 0.114215 WTO + \mu_{it} \end{aligned} \tag{4}$$

Table 9. Panel data results

Intercept	In（GDPi*GDPit）	In（PCYi*PCYit）	In（Pi*Pit）	In（DIST）	BORDER	SCO	WTO
Variable intercepts significant at the 0.001 level	0.273035 （3.32）***	-0.841245 （-5.64）***	0.973618 （7.32）***	-1.99128 （-11.05）	2.21428 （13.52）***	-0.21863 （1.96）	-0.114215 （1.26）
R-squared	0.7121	16.3241	F-statistic			5.27	6.28
			Prob（F-statistic）			＜0.0001	＜0.0001

Note: A total of 19 variable intercepts (C1-C19) were obtained in the fixed-effect model; *** is significance level at 0.01.

If other variables keep constant, the following conclusions were obtained: (1) if the product of China and Central Asian countries' GDP increases by 1%, China's imports from country i will increase by 0.27335%; (2) if the product of China and Central Asian countries' GDP per capita increases by 1%, China's imports from country i will decrease by 0.841245%; (3) if the product

of China and Central Asian countries' populations rises by 1%, China's imports from country i will increase by 0.973618%; (4) for every 0.01 increase in the distance between the capitals of China and Central Asian countries, China's imports from country i will drop by 1.99128%; (5) the bilateral trade between China and Central Asian countries bordering China will increase, with a positive dummy variable coefficient of 2.21428, and the bilateral trade volume between the two countries will increase by (e2.21428 - 1) = 0.68%; (6) The SCO presents trade diversion effects with estimated coefficient was -0.21863, and the diversion effects were not obvious, with a p-value of 5.27. This result may be due to the weak trade diversion effects between China and Central Asian countries, as well as the possible deviation in the choice of empirical analysis data.

Whether being a member of the SCO could significantly affect the bilateral trade volume between China and Central Asian countries.That is to say, when both sides of the trade are members of the SCO, the dummy variable coefficient is 0.189, and the growth of the bilateral trade (e0.189 - 1) is 0.26%.

5. Conclusions and Suggestions

The Silk Road Economic Belt initiative has further promoted the regional economic cooperation between China and its neighboring countries, especially Central Asian countries. Trade and economic cooperation have also gradually developed.This article mainly draws the following conclusions and suggestions:

(1) Central Asian countries have played a crucial role in constructing the Silk Road Economic Belt. The geo-strategy at this stage is of even greater significance. Due to unique geographical location and resources, Central Asia has increasingly become a key area for other major powers and political forces in the world. Central Asian countries are the economic interest area and security barriers for China's northwest frontier. Therefore, Central Asia has its fundamental effects and significant location in the plan of the modern Silk Road Economic Belt.

(2) Under the background of the Silk Road Economic Belt construction, China’s economic and trade cooperation with Central Asian countries has a series of comprehensive conditions including the unique geographical advantages, stable bilateral relations, closely linked historical and cultural foundation, economic structures with complementary resource advantages, mutually compatible economic development strategies, and etc. Meanwhile, the economic and trade cooperation between China and Central Asian countries faces a variety of opportunities and challenges. These opportunities include exchanges in energy, finance, logistics, etc., and challenges can be stated as the game between powers, poor security, limited investment conditions, cooperation issues, etc.

(3) The ongoing tasks of the economic and trade cooperation between China and Central Asian countries should make the establishment of (a) economic and trade targets; (b) appropriate patterns and countermeasures in the cooperative environment, and (c) safeguard mechanism. Finally, although many difficulties would be met in the economic and trade cooperation, positive opportunities for economic cooperation would be created based on mutual respect and trust.

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