

China's Belt and Road Initiative and its implications for Korea

KUGSIS BK21 Special Lecture

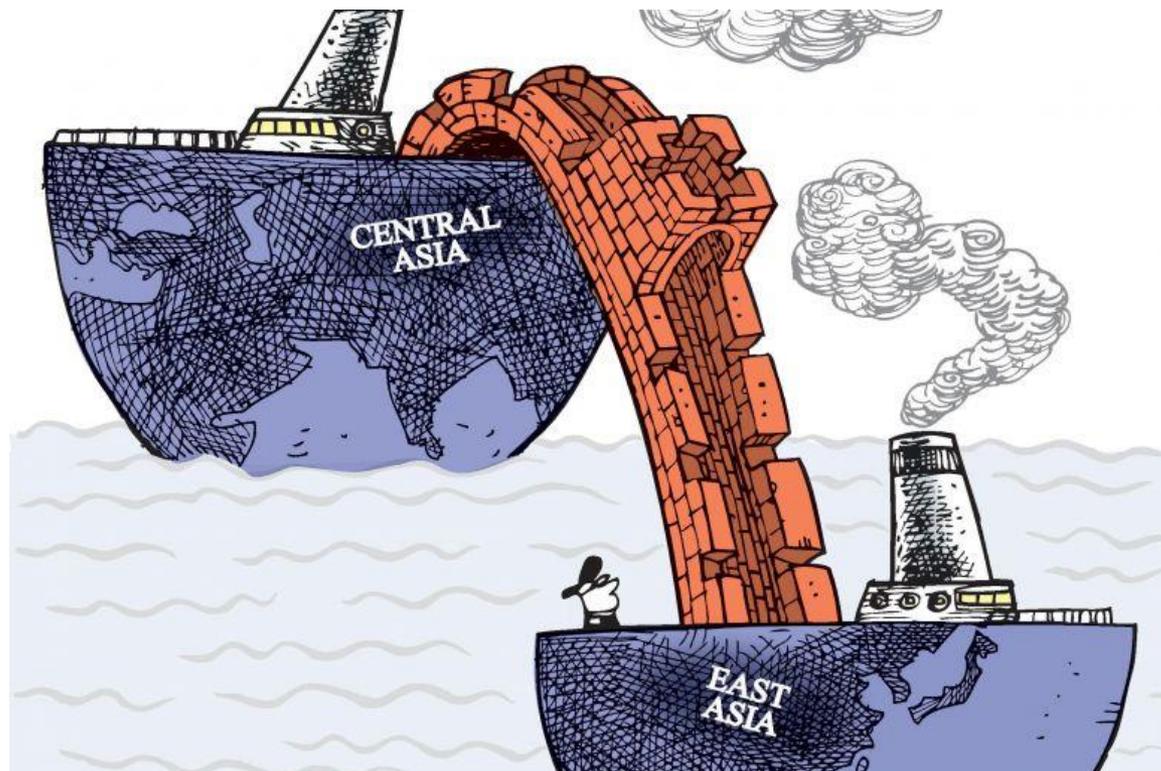
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1. The Overview of Belt and Road Initiative



BRI Overview

- Official name: *The Silk Road Economic Belt and 21st-Century Maritime Silk Road Development Strategy* (丝绸之路经济带和21世纪海上丝绸之路发展战略), abbreviated as the One Belt One Road (一带一路)
- Announced in September in 2013
- Aims to create global infrastructure connections through the construction of transport infrastructures and pipelines

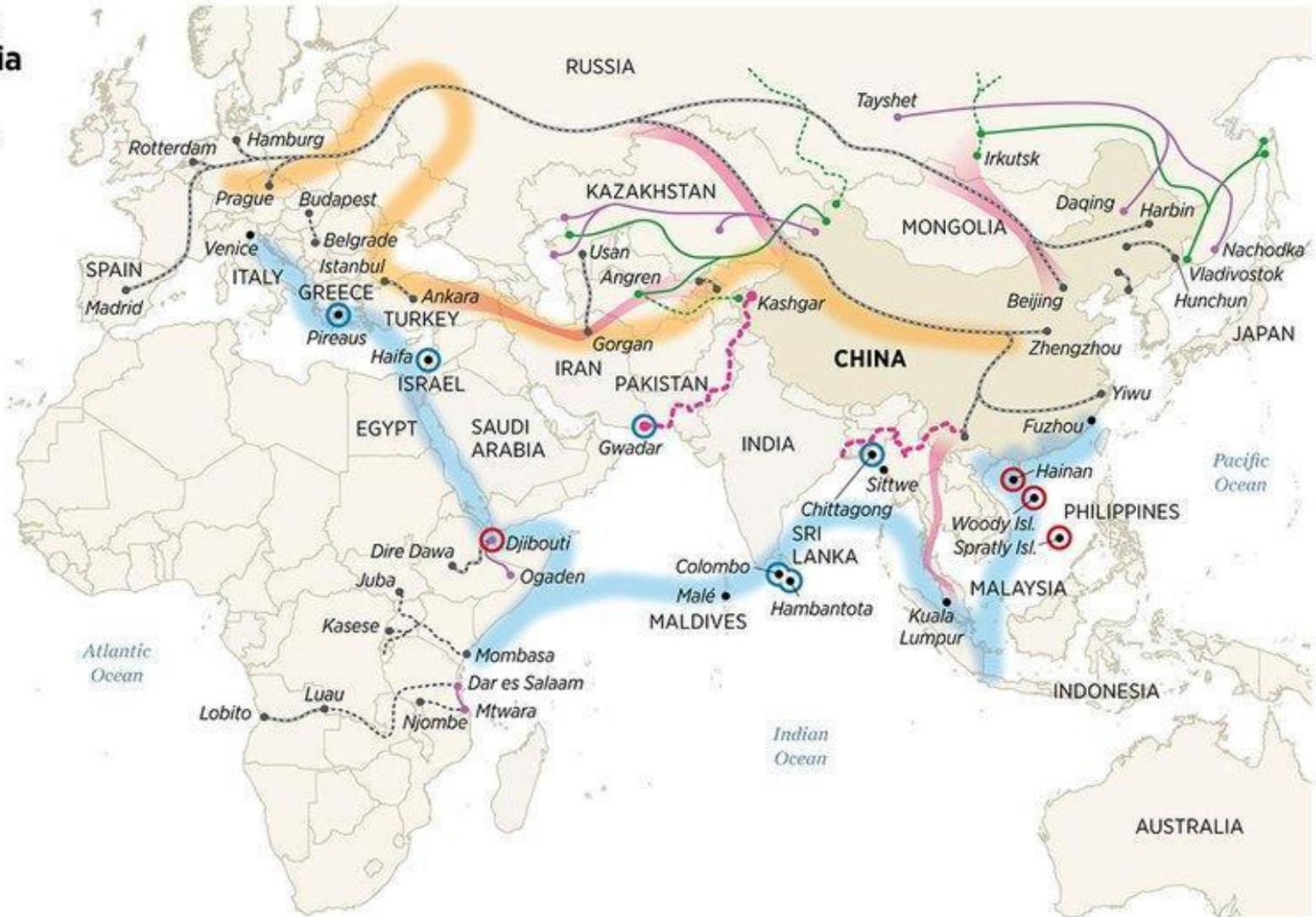
BRI Overview (Cont.)

- The narrative of ‘the ancient Silk Road period’

Images of *peaceful and diverse exchanges* in the Eurasian continent can be shared with countries outside China as a shared heritage reducing civilizational differences

China Looks to Reshape Eurasia With Belt and Road Initiative

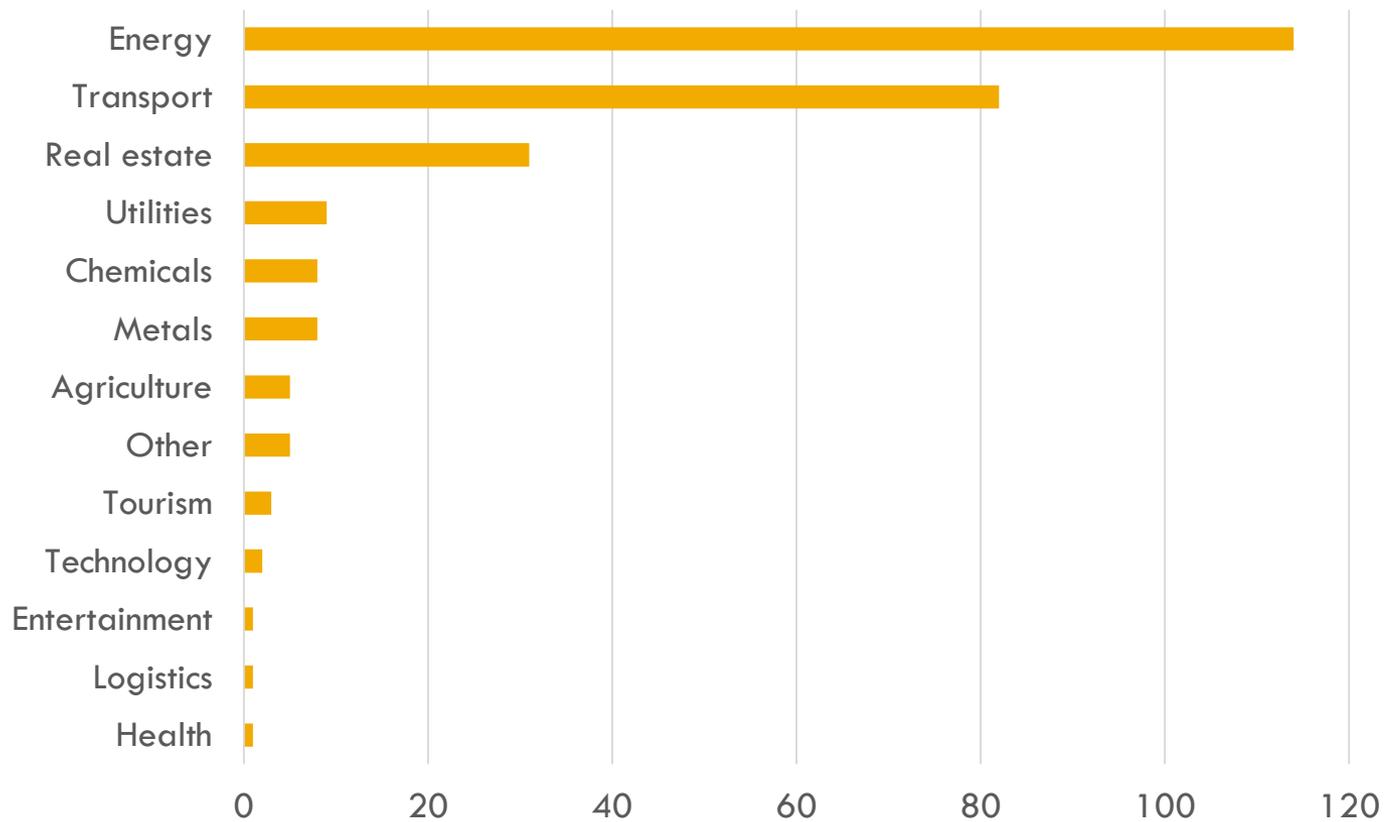
-  Silk road economic belt
-  New maritime silk road
-  Proposed economic corridors
-  Gas pipelines
-  Oil pipelines
-  Railroad
-  Planned or under construction
-  Ports with Chinese military presence
-  Ports constructed with Chinese involvement



BRI Overview (Cont.)

- **Hard-infrastructure** including transport infrastructure (ports, road, railways), energy (pipelines, power grids, hydropower dams), IT and communication (fiber-optic networks, data centers, satellite constellations etc.), telecommunication systems and financial infrastructure
- But also **soft-infrastructure** including the creation of special economic zones (mainly in Africa) and the negotiation of free trade agreements, currency swap agreements, and reduced tariffs

Figure. China's investment in BRI countries by sector, 2013-2018





The Khorgos Gateway in Kazakhstan



Karuma Dam Project in Uganda



Hambantota port in Sri Lanka



Acquisition of Kumport in Turkey (Turkey's third largest container terminal)

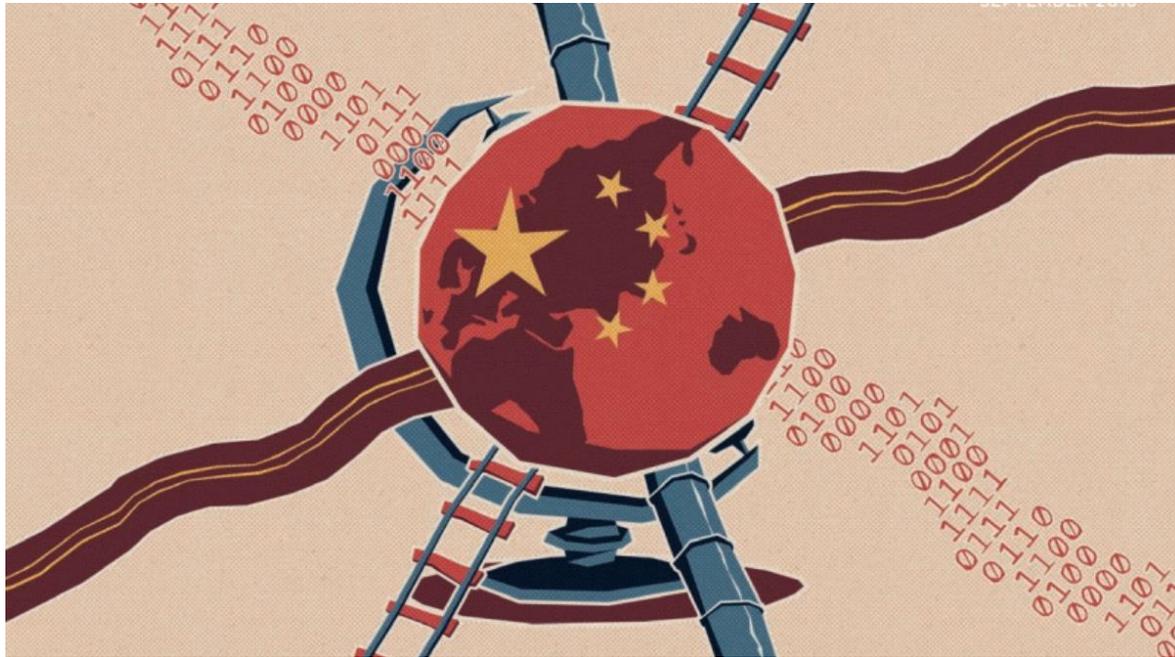


Quaid-e-Azam Solar Park in Pakistan

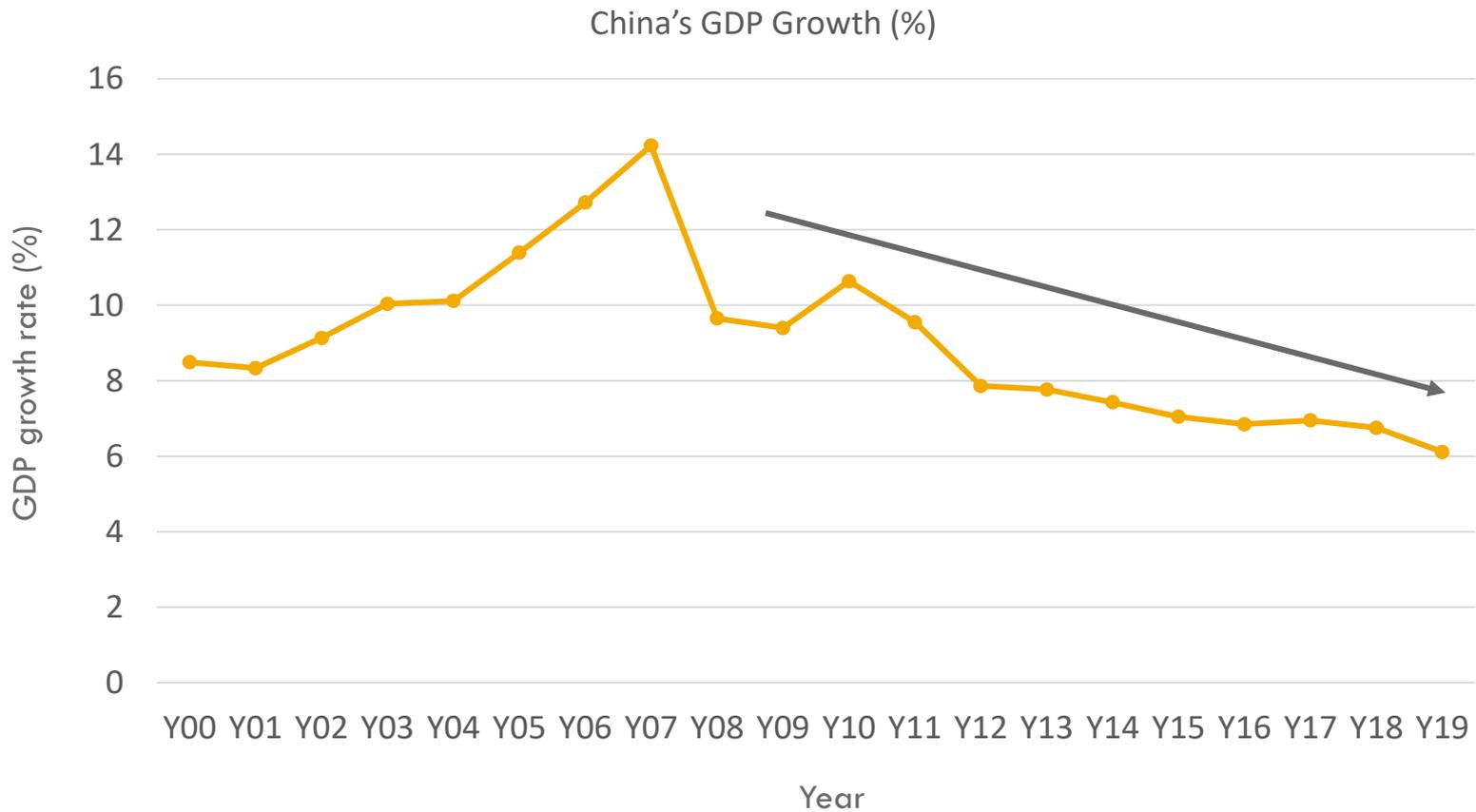
BRI Overview (Cont.)

- Central government led policy: Largely funded by the export-import bank of China and China Development Bank, SOEs are the major players in BRI projects
- Since 2013, 80 Chinese state-owned enterprises (SOEs) have undertaken over 3,100 BRI projects (The State-owned Assets Supervision and Administration Commission, SASAC)
- As of January 2021, 140 countries have joined the BRI by signing a Memorandum of Understanding (MoU) with China

2. The Motivations of Belt and Road Initiative



BRI Motivations (1): Sustain China's economic growth engine



Source: World Development Indicators

BRI Motivations (1): Sustain China's economic growth engine

- Demand creation
- Excess capacity shifting
- Develop inland provinces

BRI Motivations (1): Sustain China's economic growth engine (Cont.)

- Expand “Going global” strategy
- Strengthen China's energy security
- Develop high-tech and IT industries

BRI Motivations (2): Growth of influence globally

- Reshaping the global economic system (e.g., Asian Infrastructure Investment Bank, AIIB)
- Fostering regional cooperation and development
- Using BRI to increase Chinese control of critical infrastructure assets and influence regional countries' strategic decisions

BRI Motivations (3): Renminbi internationalization

- Following the 07-08 financial crisis there was a growing awareness among China's leaders of the dangers of the dollar-based system
- Wider international use of the RMB in regional e-commerce and cross-border transactions through BRI

3. BRI and Deglobalization



BRI as China's way of globalization

- BRI is about much more than just infrastructure investment, business practices and commercial relationships
- BRI can be China's own standards in the globalization process

From a unipolar to bipolar international superpower system

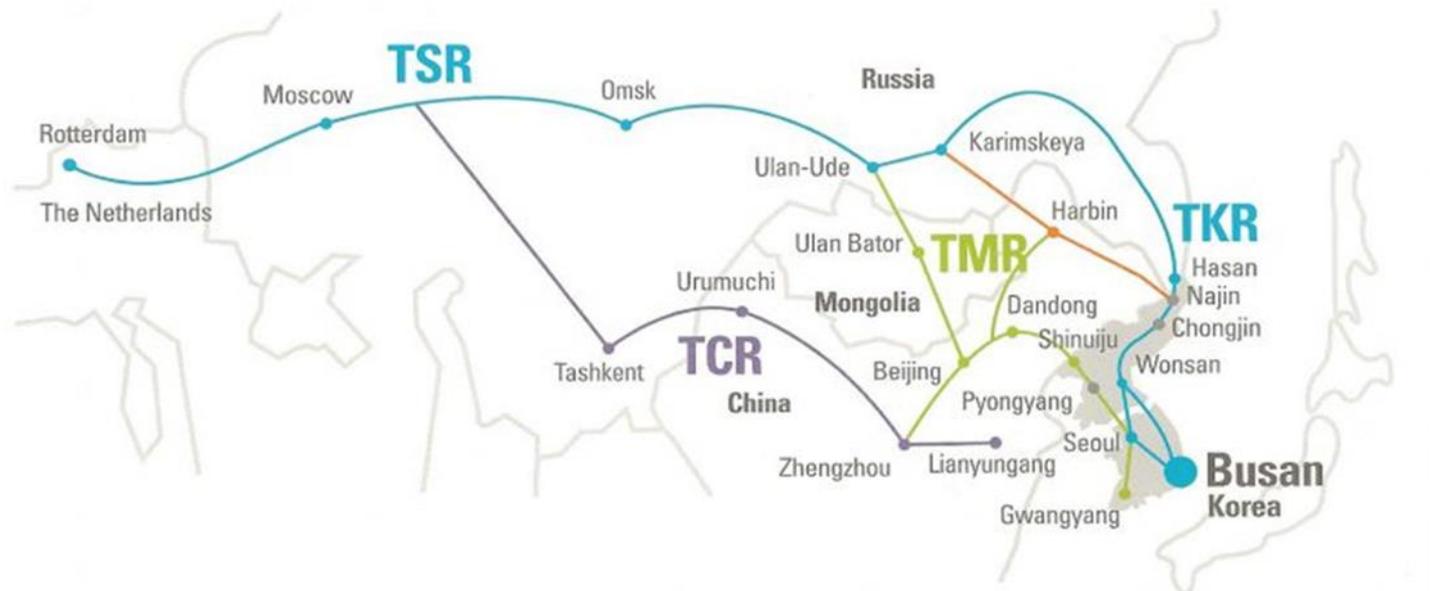
The current international superpower dynamic is transitioning from a *unipolar system with the US* as its center to a *bipolar system with China* occupying the other pole

4. BRI and its implications for Korea



Economic implication

- Cooperation and alliance with Chinese firms in third markets
- Compatibility between BRI and South Korea's Eurasia Initiative



Korea peninsula implication

- BRI through AIIB could fund North Korea infrastructure development and South Korean firms would join these projects

Security implication

- Can further increased economic dependence on China coincide with US alliances in the Asia-Pacific?
- Despite economic integration and cooperation potential through BRI and ERI, China and South Korea's visions for national and regional security are conflicting



Q&As

Thank you!