

National Institute for Global Strategy, CASS

THE BELT AND ROAD INITIATIVE IN THE GLOBAL CONTEXT

International Joint Study Report (No.1)

Edited by

Wang Linggui & Zhao Jianglin

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Preface and Acknowledgements

Wang Linggui

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For the best part of this passing several years, the Belt and Road Initiative has gained growing concern, namely the “Silk Road Economic Belt” and “21st Century Maritime Silk Road”. Dating back to 7th Sep., 2013, Xi Jinping, General Secretary of the Communist Party of China Central Committee and President of the People’s Republic of China, delivered a speech titled “Promote People-to-People Friendship and Create a Better Future” in Kazakhstan, during which he proposed to “jointly build a Silk Road Economic Belt”. On the following 3rd October, President Xi gave a speech to Indonesia’s parliament titled “Building China-ASEAN Community of Common Destiny” and introduced the proposal “jointly build 21st Century Maritime Silk Road” on it. Ever since then, scholars home and abroad started to explore how this initiative influences the world from their own countries’ perspectives. As for our scholars, those from National Institute for Global Strategy (NIGS), Chinese Academy of Social Sciences (CASS), focus more on joint study with scholars abroad to provide intellectual support for the Belt and Road Initiative.

Today nobody denies that the present global economy in general is in a downturn, with the major economies struggling in the limbo between revival and decline. Meanwhile economic globalization is facing growing obstruction such as fatigue drive of sustainable development, ceaseless regional conflicts, incessant regional hotspots, prevailing terrorism, and confrontation and alignment. Behind the challenges lies the international configuration and world order featured by emerging unequal and imbalanced development. Confronting these challenges is one mission shouldered by countries along the Belt and Road, and it will also be the way out for global issues. During the transitional period when international configuration and world order are restructuring and shifting intensely, the methods to advance sustainable development, further strengthen and improve global governance, and maintain world peace and stability urge

deeper communication and cooperation.

China is now ready for the in-depth interaction with the world and in-depth opening-up. Sailing down the stream of history, the construction of the Belt and Road Initiative is one of the development strategies that Chinese government formulated for the 13th Five-Year Plan and the years ahead. The advancement of this construction is the requirement for China to integrate in the world more deeply. Furthermore, it is needed by countries around world that seek co-development, especially Asian, African, and European countries. Therefore, the joint study is another attempt and exploration for “building think tanks with international perspective and improving international cooperation and communication mechanism”. Jointly discussing the challenges faced by the development of the Belt and Road Initiative will help us broaden our perspectives and tackle these challenges. We hope that domestic and foreign think tanks can build better mutual understanding and support each other along the way of the Belt and Road construction, thus to pave the road for co-development.

Against such background, the National Institute of Global Strategy (NIGS) of the Chinese Academy of Social Sciences(CASS) and Beijing Foreign Studies University (BFSU) held the “International Symposium of the Belt and Road Initiative in the Global Perspective” in the fall of 2016 in Beijing. After the Symposium, attendees home and abroad did in-depth study on the subject discussed. This monograph is finished based on further study, which is also a phased outcome of joint study made by NIGS and major foreign think tanks.

Experts who are involved in the joint study generally believe that the Belt and Road Initiative is China’s grand strategy on expanding and deepening opening up to the world, building new pattern of reform and opening-up, achieving globalization 2.0 and fulfilling win-win cooperation. The Initiative has grown remarkable fruit in areas from top-level design and policy communication to facility sharing, clearing trade channel, accommodation of funds, and common aspiration of people, thus forming co-consultation, co-construction and sharing among engaged countries. It has also broken new ground in terms of motivating the development of countries and regions along the route and exploited huge potential for mutual development. Conforming to the inherent law of international economic development and actively accommodating the new trend of global economic cooperation, this initiative has drawn broad international consensus and attention for promoting global economy and has been referred to as the “Chinese prescription” to treat global economy disease and the “Chinese plan” to solve current issues.

Indeed, while experts who participate in the study gave credit to the Belt and Road Initiative, they also agreed that above interconnection, co-consultation,

co-construction and sharing, the most crucial and the most fundamental is the bonding of idea, where think tanks, a valuable treasure of a country, play an important role. At all times, rulers value the function of think tanks and see them as an important source for decision making. Ever since the 18th National Congress of the Communist Party of China, the CPC Committee lead by General Secretary Xi Jinping has attached great importance to the development of think tanks and introduced major strategic measures to promote the position and function of think tanks in governance and diplomacy. On 12th Nov., 2013, the Third Plenary Session of the 18th Central Committee of the CPC passed “Decision of the Central Committee of the Communist Party of China on Some Major Issues Concerning Comprehensively Deepening the Reform”, in which “to enhance the construction of new types of think tanks with Chinese characteristics and promote a consultative policy system” was put forward. On 20th Jan., 2015, Chinese government issued “Opinions on strengthening the construction of new think tank with Chinese characteristics”. On 9th Nov. of the same year, during the 18th Meeting of the Central Leading Group for Deepening Reform “The National High-end Think Tanks Building Pilot Program” was approved and 25 national high-end think tank pilot units were appointed. Also the general requirements for high-end think tanks are put forward as following: maintain high-end position, highlight professional characteristics, and innovate theories and policies; strengthen the application and orientation of subjects and initiate targeted and proactive policy studies, and the directions and the focal points of the studies must be derived from the major strategies deployed during the Fifth Plenum of the 18th Central Committee of the Communist Party of China”.

Being one of the units, NIGS under CASS is also one of the two think tanks that focus on global strategy, with its secretariat located at National Institute of International Strategy, CASS. As for the leadership team, professor Cai Fang is the chairman of board of directors of NIGS, CASS, who is also the vice president of CASS as well as Member of the Chinese Academy of Social Sciences. Senior diplomatist Ambassador Fu Ying, also the Director of the Foreign Affairs Committee of the NPC Standing Committee, possesses the title of chief expert of our think tank. Since its establishment, NIGS has focused on the study of the Belt and Road Initiative, global strategy, and China’s peripheral security. Engaging in academic exchanges and communications with domestic and foreign think tanks, the members are dedicated to replenish the theoretical support and decision reference for the implementation and advancement of the Belt and Road Initiative.

Last but not least, I am grateful to my Chinese and foreign associates for

supporting this project. I would also like to acknowledge my work team, including those who did translation and proofreading. Also, I appreciate the hard work done by the editors in Social Science Academic Press. Without them, this monograph could not be published and benefit the readers in time.

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• **Challenges and Opportunities Faced by the B&R Initiative** •

The Belt and Road Initiative: Challenges, Cooperation and Action

Wang Lingui

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On 10th and 11th October, 2016, the Symposium on the Belt and Road (B&R) Initiative in the Global Perspective was held in Beijing, jointly organized by the National Institute of Global Strategy (NIGS) of the Chinese Academy of Social Sciences (CASS) and Beijing Foreign Studies University (BFSU). Discussions on topics about the new global situation and challenges that confronting the construction of the B&R, the multidisciplinary cooperation correlated to the B&R Initiative, and the solutions and suggestions to the promotion of the B&R Initiative were held among 31 foreign representatives from Russia, Egypt, Pakistan, the U.S., Malaysia, Turkey, Singapore, India, and other 22 countries and 39 experts inside the country. Mr. Cai Fang, the academician and research fellow, Vice President of the CASS, and Director of NIGS; Mr. Masood, Pakistani Ambassador to China; Mr. Liew Chin Tong, Malaysia Congressman; Mr. Huang Ping, research fellow, and Director of the Europe Institute of CASS; Peng Long, President of BFSU, all delivered speeches at the opening ceremony.

The agenda of the conference are reviewed as follows.

The B&R Initiative: New Route to Promoting the Version 2.0 of Globalization

At present, the “anti-globalization” has seemed to be a prevailing trend. There

are quite a few factors that lead to this consequence, such as the long-term slumps of the global economy, continuous regional conflicts, and disastrous aftermath of terrorism. All the above factors have led to a sharp drop of the enthusiasm on global issues by the developed countries. At this background, the birth of the B&R Initiative is definitely a positive response to the “anti-globalization”. Hereby, the experts at the conference agree that:

First, the B&R Initiative is a grand strategy for China to expand its opening-up policy, to establishing a new pattern of open development, to forge the version 2.0 of globalization, and to put the win-win cooperation concept into practice.

The American scholars believe that it is China that has brought the new changes in world geopolitics and geo-economics; and that China is becoming a very important power in globalization, which would bring revolutionary influence on global affairs.

The Indian scholars believe that the B&R Initiative is a framework of geo-culture instead of geopolitics and the Silk Road Economic Belt could be regarded as the second globalization initiated by the oriental world. At present, the Silk Road Economic Belt covers 63% of the world population, which represents 29% of the global GDP. The GDP ratio could be increased to 50% if the concepts of made-in-India, Indian necklace along Himalaya, and India coastal necklace are connected to the B&R Initiative and if the Eurasian Economic Union initiative could be docked with the B&R Initiative.

The Chinese scholars proposed to put the B&R Initiative in the background of the transforming global role. The multiple power structure of the B&R Initiative should be strengthened to produce an everlasting power that is classified phase by phase. From the perspective of the free trade zone, some Chinese scholars believe that the pilot free trade zone is a version 2.0 of opening-up policy that is initiated by China at current international situation. It is a grand strategy of synchronized integration at home and abroad. It represents the participation of China in formulating the new rules for the international trade.

Second, the B&R Initiative has achieved significant accomplishments for the last three years in different aspects, such as its top design, policy communication, facilities connectivity, unimpeded trade, financial integration, and people-to-people bond. A cooperation environment of discussion, work, and share among different countries is cultivated.

The Russian scholars believe that the B&R Initiative is in line with the regional and global trend of development. The B&R Initiative is not weakening or eliminating the current economy system. Instead, it represents the desire for peace, mutual benefit and exchange of the international community. It helps promote free trade and fair cooperation, which is in the interest of all the

countries. The realization of the docking should be encouraged between the B&R Initiative and the Eurasian Economic Union which has been advocated by Russia.

The Indian scholars believe that China is promoting the B&R Initiative through the pattern of geo-economics. The geopolitics and the geo-economics should be related in the future. In other words, India should dock its own development strategy with the B&R Initiative.

The Philippine scholars believe that the B&R Initiative of China is an international strategy. All the participating countries can relate it with their own national development projects. The Philippines is also very willing to actively participate in the construction of the B&R Initiative advocated by China.

The Chinese scholars also put forward that the B&R Initiative is actually a major adjustment of China's opening-up policy and a readjustment of China's layout of its geo-economics. The B&R Initiative is mainly of developing westward and opening to the developing countries.

—Third, the B&R Initiative is transforming from a “China initiative” into a global action in the past three years. For the three years, the B&R Initiative has complied with the inherent international law of economy development, adapted actively to the new trend of global economic cooperation, reached broad international consensus, and won the world's attention in the process of revitalizing the global economy. Therefore, it has been recognized as the “China prescription” for the current international economic and financial epidemic and the “China approach” to solving the present problem.

The Egyptian scholars look forward to more personnel exchanges with China and other countries. The ascension of political stability in Egypt would allow the country to play an important role in China's B&R Initiative by connecting Asia, Europe, and Africa.

Sri Lanka actively supports the construction of the B&R Initiative, because the initiative is in line with the development vision of the country. Relying on its own geographic advantage in the Indian Ocean, Sri Lanka could become a key hub on the Maritime Silk Road.

The Kazakhstan scholars believe that the B&R Initiative can strengthen trade and economic cooperation between Kazakhstan and other countries to improve regional integration.

The Indonesian scholars believe that the development strategy and vision of their country is a close fit to the B&R Initiative.

Laos fully supports the B&R Initiative, and aims at breaking away from the poverty caused by being a landlocked nation and obtain economic development.

Japanese scholars believe that the railway brings positive impacts to all the

relevant countries, including Russia.

By all means, the Malaysian scholars do not want to see the B&R Initiative as a game for interests between the big powers. Instead, it will bring us a new world if healthy free trade can promote peace of the world.

Challenges Facing the B&R Initiative: the General and Specific Risks

The participating experts at the conference generally believe that the B&R Initiative is transforming from the stage of conceptual explanation and publicity toward that of practical directions. In general, the major existing and potential risks and challenges are as follows:

a. Security risks. There are three main categories: competition of power strategy hedges against the B&R Initiative; regional conflicts; terrorism and other non-traditional security threats.

b. Political risks. There are also three main categories of political instability: color revolution; regime change; and secession.

c. Economic risks. The B&R Initiative gives priority to economic projects. As an economic initiative, the B&R Initiative contains financing risks, credit risks for execution of contracts, profit return risks, and technical risks in the infrastructure construction.

d. Ecological risks. The area that the B&R Initiative covers is basically ecologically fragile regions. The infrastructure construction would bring certain threats to local ecological system.

e. Social risks. Ethnic and tribal contradictions, religious, sectarian and cultural conflicts, international crimes, drugs, epidemic diseases, etc. can turn to deadlock against the progress of the B&R Initiative.

Besides the general types of challenges, the B&R Initiative also faces specific problems in different countries.

The Indian scholars discussed the reason why there were no enthusiastic responses from them during the discussion. Firstly, the B&R Initiative was just brought up; and India was watching the actions and effects of the B&R Initiative. Secondly, India is taking some regions of the area as its own backyard. Thirdly, there are traditional and non-traditional security risks. Fourthly, India is concerned that the B&R Initiative may affect the stability of its northeastern area. Fifthly, India is worried that China might form encirclement around India through the Maritime Silk Road. Besides, the China-India trade deficit also caused concern of India.

The Pakistani scholars refuted the suspicions from the Indian scholars about the construction of the China-Pakistan Economic Corridor. The China-Pakistan Economic Corridor is a cooperative practice between China and Pakistan. Pakistan does not need approval from India on whether it can carry out cooperation with any other countries.

The Burmese scholars believe that the B&R Initiative is a kind of game-changing initiative, after comparing it with the World Bank, the Asian Infrastructure Development Bank (AIIB), and the Bretton Woods System. The Chinese scholars believe that the B&R Initiative is improving and complementing the rules of the world trade system, instead of changing the rules.

The Sri Lankan scholars brought up the problem of the loan standard for the B&R Initiative. This would affect the operation of capital, which would further affect the all over progress of the B&R Initiative.

The Afghan scholars put forward that the B&R construction should avoid the four mistakes that happened in the construction of Afghanistan with the U.S. involvement. Firstly, it should not leave Afghanistan highly dependent on foreign aid. Instead, economic development should rely on investment. Secondly, fight against terrorist militarism. Thirdly, rely on regional participants. Fourthly, work on regional consensus, and improve sustainable development.

The scholars from the Central Asian countries believe that the countries in Central Asia should fully understand that China is a very important partner for economic cooperation in the region. The leaders of China and Russia should participate in the regional construction in a constructive way. Shanghai Cooperation Organization (SCO) did not fully fulfill its mission. With the annual budget of \$ 4 billion, the result is not very obvious; therefore, China and Russia should carry out new cooperation under the frame of the B&R Initiative. The transparency issue should be given more attention. The infrastructure projects should not be taken as means for personal gains.

As a third party, the Korean scholars put forward that China should pay attention to the concerns of the countries on its periphery. For example, countries that have conflicts with China on the South China Sea worry that the construction of the Maritime Silk Road might collide with their territorial sovereignty and interests.

People-to-People Bond Is Equally Important as Infrastructure Construction

The seminar highly stressed the importance of people-to-people bond, and

regarded it as equally important as the construction of the infrastructure. In the past, foreign experts paid more attention to the construction of the “hardware” aspects of the B&R Initiative, the infrastructure. Today, people regard the software of the B&R Initiative as a key area, many experts expressed that the people-to-people bond is critical to the B&R.

Firstly, people-to-people bond is particularly important to the B&R Initiative. Experts generally believe that people-to-people bond is an important component of the B&R Initiative. Chinese scholars believe that mutual understanding in culture can positively affect economic cooperation. The lack of a profound and mutual understanding in the social culture and tradition of each other can most likely lead to failure of cooperation.

The Russian scholars believe that soft power is a right to exert influence, the implementation of a common value shared by all communities in the society, and certain political and diplomatic strategies. The implementation of soft power strategy is to break these national, social, cultural biases to support cultural progress to promote dialogue and exchange between different cultures.

The Malaysian scholars believe that people-to-people bond includes mutual recognition and a harmonious friendly relationship between the peoples.

The Pakistani scholars put forward that the personnel exchange and people-to-people bond are the key to the success of the B&R Initiative.

Secondly, certain problems in the field of people-to-people bond should not be ignored.

The Malaysian scholars believe that the major problem for the Southeast Asia in their study on China lies in the language. The Chinese research papers that most researchers from Southeast Asia need for reference are published in Chinese language, while the researches on China by western scholars are more easily accessible. The Western scholars obtain lots of influence, while Chinese scholars might have academic exchanges with their counterparts in Southeast Asia more on personal basis. In reverse, for the study on Southeast Asia, China is in lack of experts who are familiar with the local languages of Southeast Asia. The research on the Southeast Asia is still an interdisciplinary subject in China. Nevertheless, there are also problems for the Southeast Asian countries in their study of China.

The Indian scholars believe that there is a mutual trust deficit between China and India, mainly due to inadequate understanding of each other’s culture and civilization.

The Chinese scholars stressed the importance of the people-to-people bond. Compared to its knowledge of the Christian civilization and the western world, China is lagging behind in its understanding of the Islamic world, the maritime

civilization, and the underdeveloped regions in Eurasia.

Thirdly, the construction of people-to-people bond should be strengthened in the future. The Kyrgyz scholars proposed that as the economic development strategy should be widely recognized, it must have popular support. The communication between the people of China and Kyrgyzstan needs to be enhanced.

For the construction of the people-to-people bond in the future, the Chinese scholars proposed that the academia should further explore the research in the docking of the civilizations and cultures of the countries along the B&R.

The Expectations and Suggestions on the Future Construction of the B&R by the Scholars from Different Countries

The B&R is a grand initiative with global, long term, and profound influence. The experts at the symposium produced valuable opinions and suggestions on the future construction of the B&R from various perspectives, which manifested a anticipation for the fruitful results that would be brought by the B&R Initiative. Specifically, there are the following aspects.

Comprehensive Suggestions

Firstly, the discussion of the B&R Initiative should be continued and strengthened. Communication and discussion will be helpful for the multilateral implementation of the B&R Initiative.

Secondly, a road map and detailed plan of the B&R Initiative should be laid out, so that the localities in countries along the B&R could participate in the construction of it.

Thirdly, market orientation should be focused on, and the market operation should be emphasized. The Chinese scholars suggested that the government is playing a larger role at present in the construction of the B&R. While in the future, it should be transformed toward the enterprises.

Fourthly, the premise to the success of the B&R Initiative should be emphasized. The scholars from Korea suggested that the financial market as well as the technical assistance should be further open to win over support from the international organizations.

Fifthly, the key areas of the B&R construction should be highlighted. Internationally, the transportation across Europe and Asia should, first of all, be