

# The Belt & Road Initiative and China's Progressive Opening-up Pattern

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# Outline

- **Why: Background of BRI**
- **What: BRI's Long-term Aims**
- **China's Progressive opening-up  
Led by BRI**



# I. Why: Background of BRI

Sep,7, 2013, Nazarbayev University  
Silk Road Economic Belt



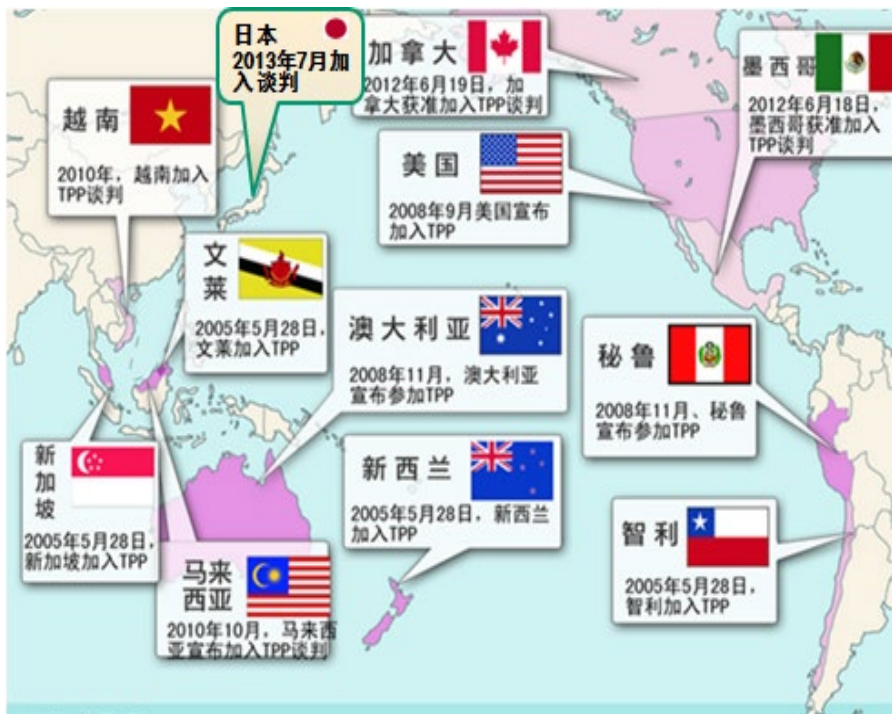
Oct,3,2013, Indonesia Congress  
21 Century Maritime Silk Road



- “Silk Road” was coined by Richthofen in 1877 to refer to a peaceful and prosperous transit corridor of commodities, culture, and religions between the continents of Asia and Europe which the Chinese envoy Zhang Qian explored over 2000 years ago
- Silk Road existed mainly in periods of peace, and the term carries a connotation of peace, friendship, exchange, and prosperity
- Chinese government has borrowed the cultural symbolism of Silk Road, to convey a willingness to promote "peace, cooperation, development, and win-win" to the world



- After the year 2008, mega-regionalism became popular, like TPP and TTIP. China needs to take new measures to further open up its economy, and strengthen economic cooperation with neighbouring countries



Under the circumstance of anti-globalization, unilateralism and protectionism taken by the US, BRI is trying to set up a **platform of openness and cooperation** for the entire world economy

## II. What: BRI's Long-term Aims

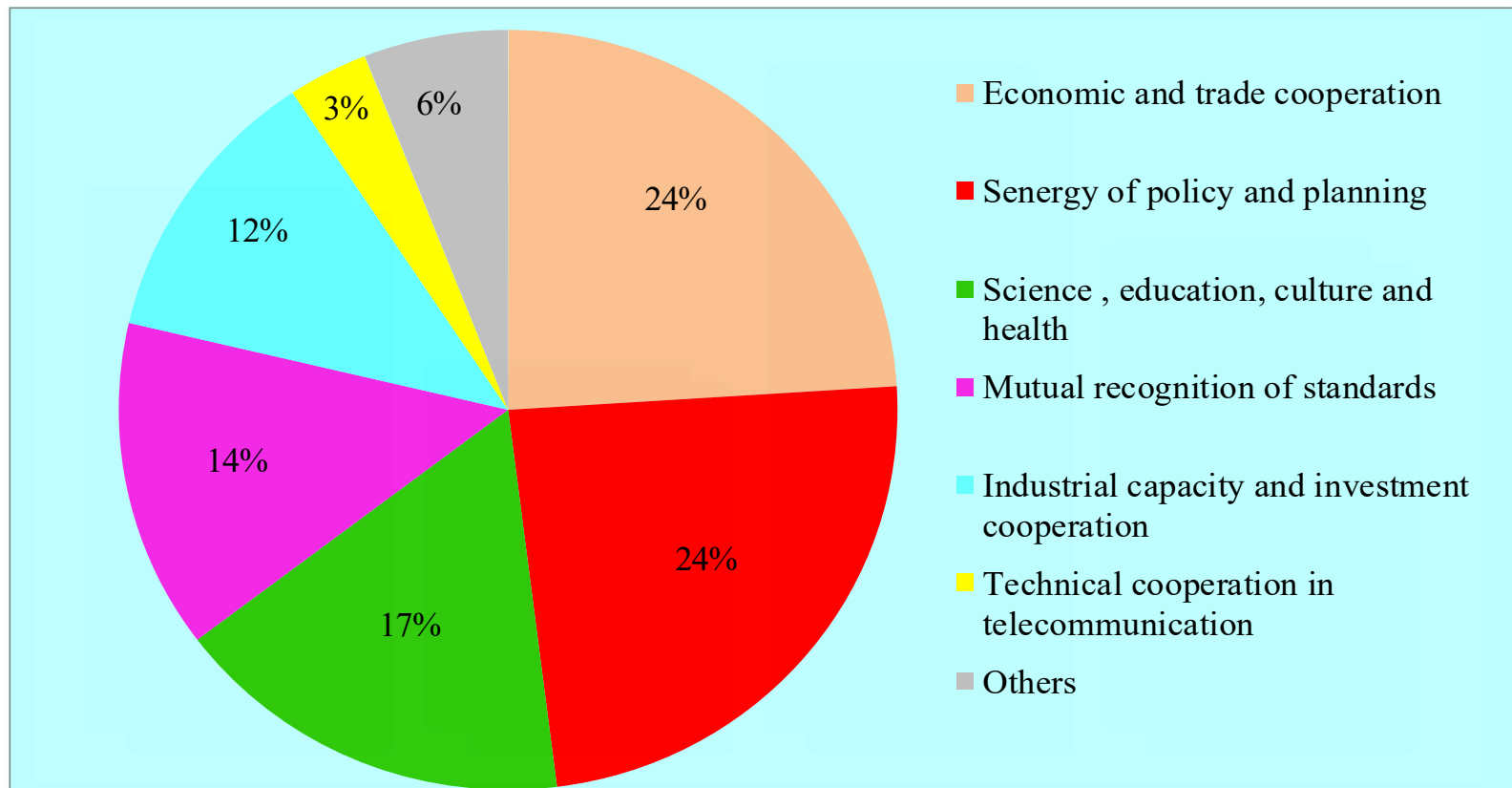
- BRI vision has shifted over time, evolving in response to international trends and geopolitical developments
- Two shifts
  - One is, by expanding from a regional effort to a truly global initiative
  - The other is, by expanding the ambition from a vision for mainly China's domestic economic growth, to become a driver for global economic growth







- By the end of Jan 2020, 138 countries and 30 international institutes have signed cooperation agreements with China to participate in the BRI



Fields of BRI Agreements , Source: [www.yidaiyilu.gov.cn](http://www.yidaiyilu.gov.cn)





## **BRI Economic Effects ,World Bank (2018/2019)**

- The completed and planned BRI transportation projects would reduce the freight time by 1.7% to 3.2%, and reduce the shipping time by 1.2% to 2.5%
- BRI would help to increase the real incomes of the relevant countries by 1.2% to 3.4%, and the global real income would also be increased by 0.7% to 2.9%
- In terms of purchasing power parity of \$1.9 per day, BRI infrastructure investment in Nepal would help 52,000 people to go out of extreme poverty
- Through the construction of Gwadar Port , highways and railways, BRI would increase Pakistan's real income by 10.5% in 2030



# Port of Piraeus, Grace

- China COSCO Shipping Cooperation has got 67% equity of Piraeus port for 35 years through acquisition
- Just a few management staff come from China whereas has created over 10,000 jobs for local residents
- Container throughput of the port ranked 93 worldwide in 2010, but now ranks 32

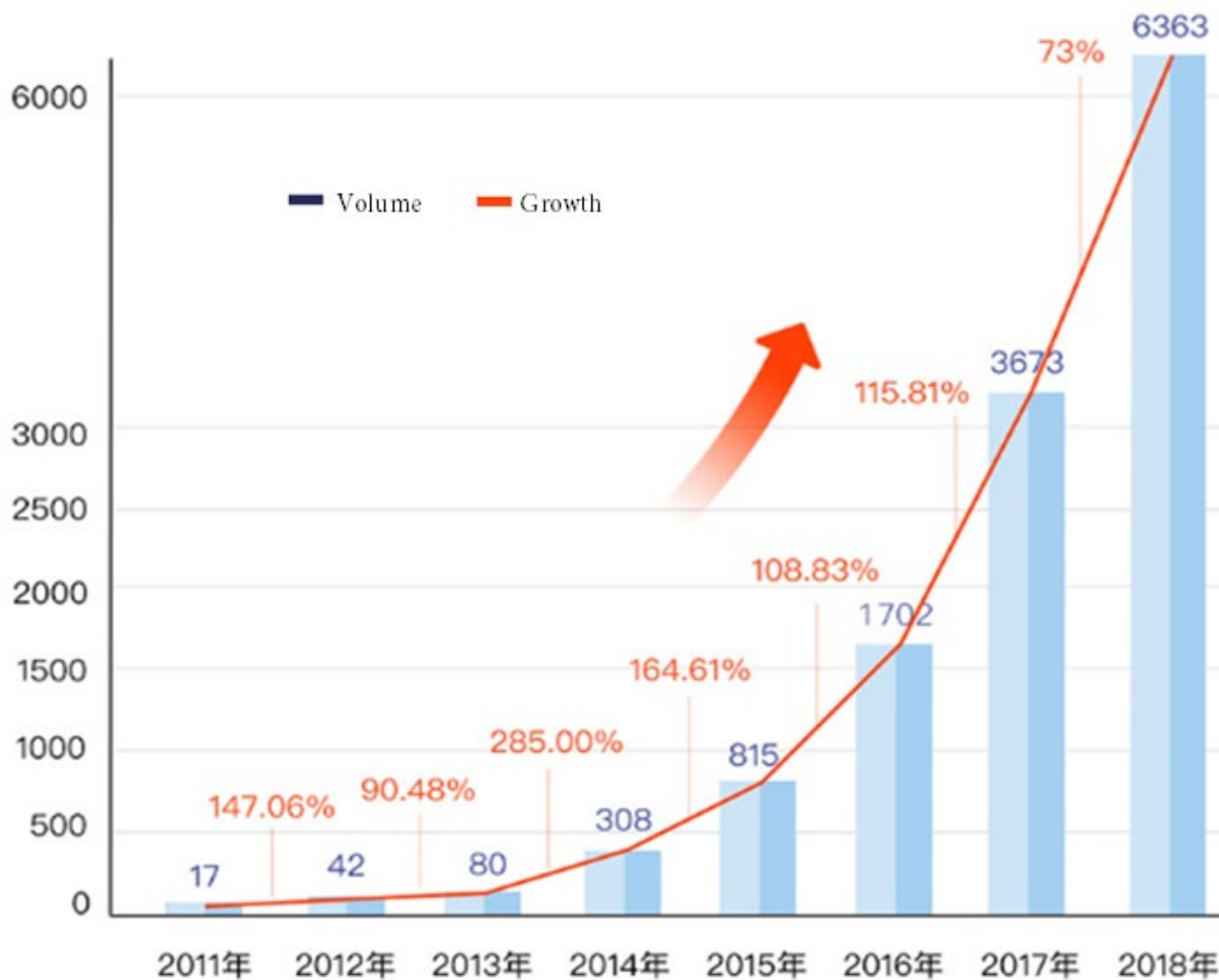




# Planning of China-Europe Freight Train by 2020



# China-Europe Freight Train ( 2011-2018)





# III. China's Progressive opening-up Led by BRI

## 3.1 Extending the Opening up of Western China



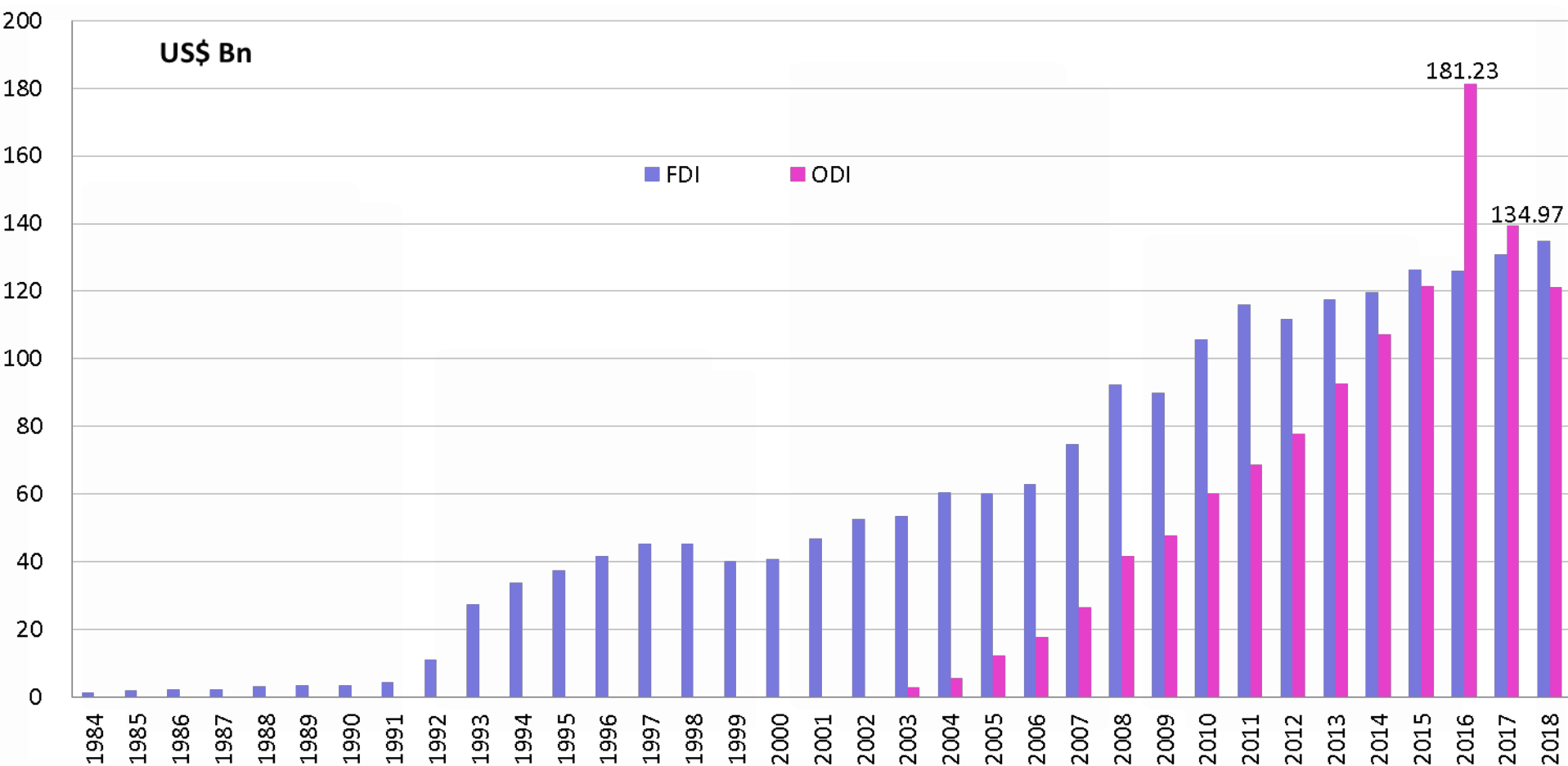
New International Land-sea Trade Corridor Jointly built by China and Singapore since 2015

- Chongqing, in western China, is the operational center of the project
- The western provinces of Guizhou, Qinghai, Gansu, Xinjiang, Ningxia, Shaanxi and Yunnan have signed a memorandum of cooperation with Chongqing and Guangxi to establish jointly the New Land and Sea Trade Corridor
- Greatly expanding the opening up of western China





## 3.2 Balancing the inward and outward investment flows



China's inward and outward Investment (1984-2018)

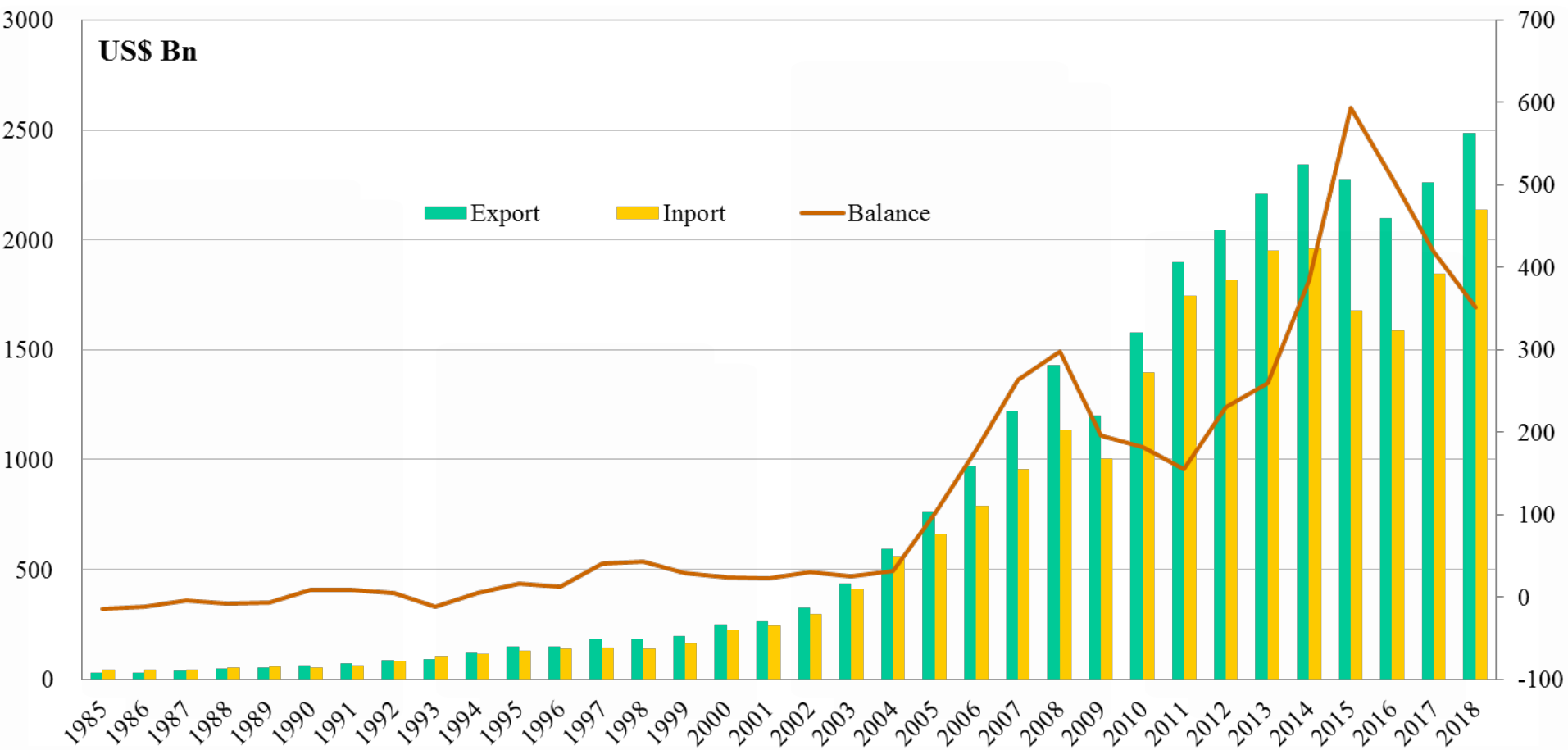
Source: Wind, China National Bureau of Statistics, Ministry of Commerce.



- Before the global subprime crisis in 2007, the amount of FDI attracted by China was much higher than that of outward direct investment (ODI)
- From 2013, Chinese capital and technology have expanded into the global market on a large scale driven, to a large extent, by the BRI. In 2016 and 2017, China became a net outward investor
- Some early ODI during B&R construction were ill-judged
- The central government has since strengthened supervision and reviews of ODI to ensure that B&R construction is rational and based on commercial principles



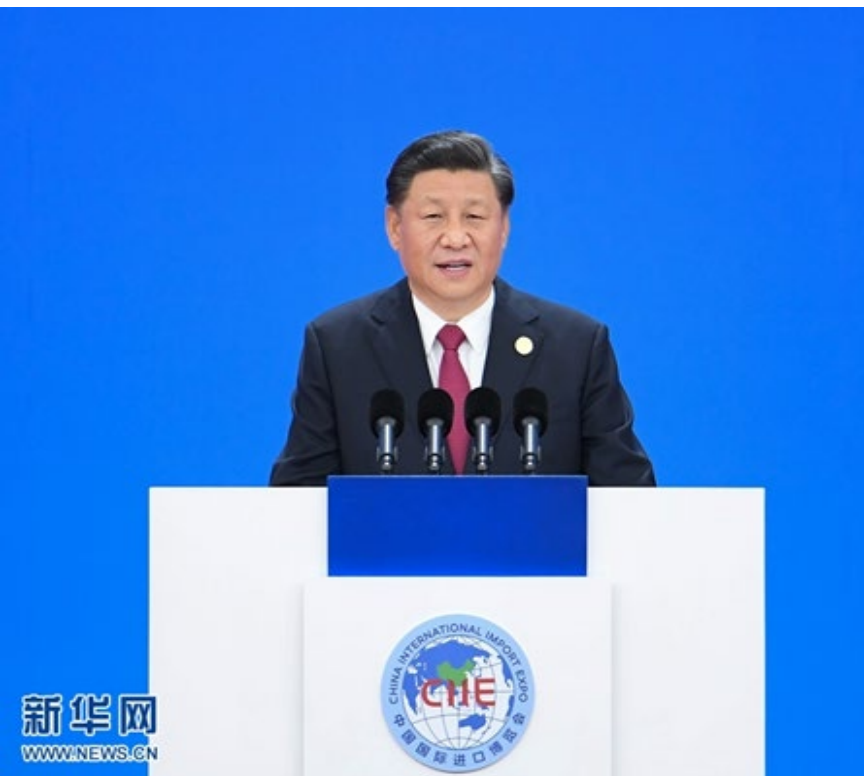
### 3.3 Actively Expanding China's Imports



China's imports and exports. (1985-2018)

Source: Wind, National Bureau of Statistics of China.



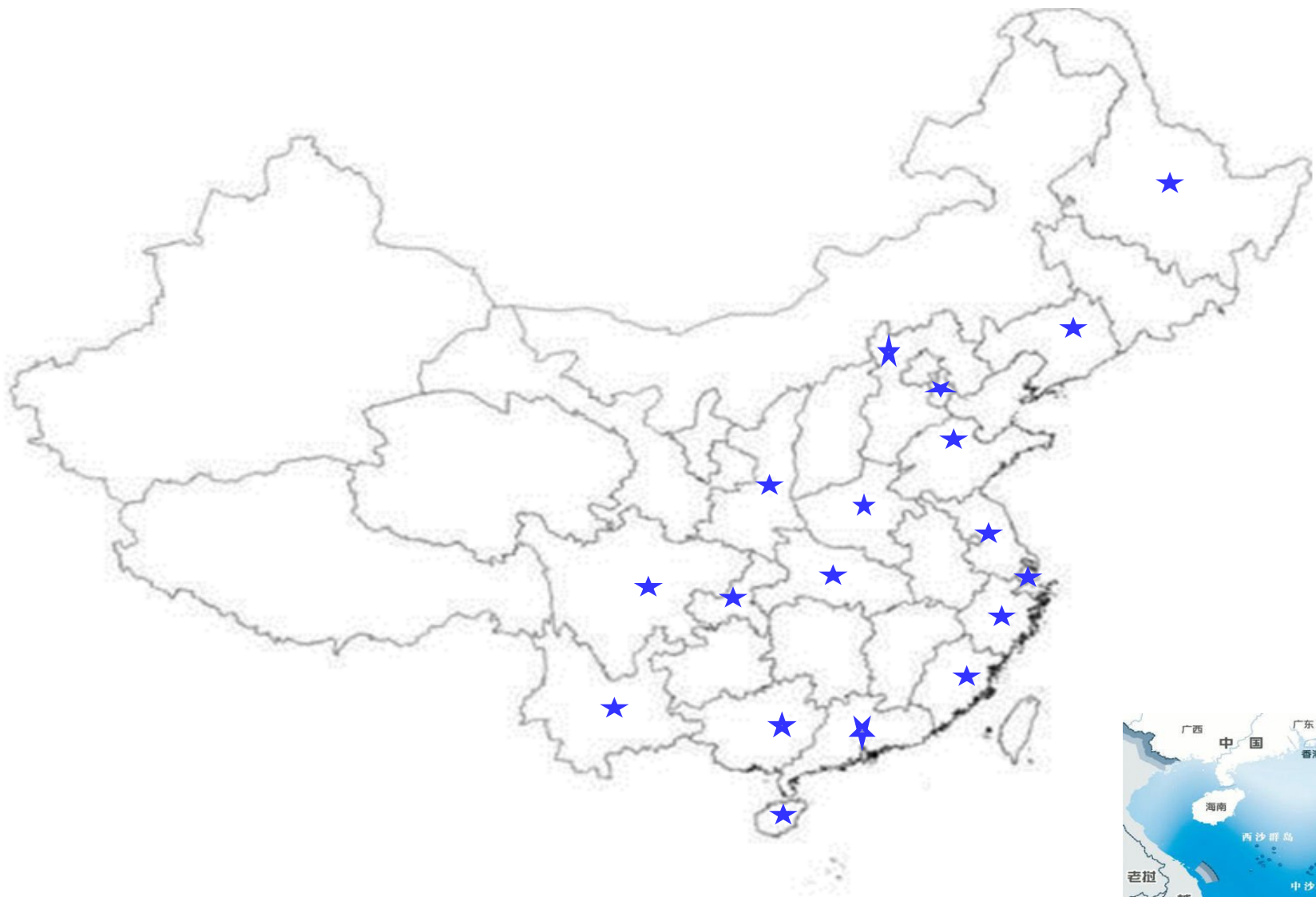


- After China's accession to WTO, the country's trade surplus increasingly expanded until 2016, after which it rapidly declined
- This decrease is in part due to the fast growth of Chinese consumption, and in part due to China's endeavors to actively expand imports via the BRI
- The most prominent example is the International Import Expo (of China) held in Shanghai. This yearly expo started in 2018

### 3.4 Deepening China's Economic Integration in the Global System

- BRI pushes Chinese enterprises to operate in accordance with generally accepted international rules and standards
- These compliance are necessary when China's high-speed railway, 5G technology, e-commerce platforms, etc. go out into the world
- China's domestic pilot FTZs are at the forefront to establish an institutional system that is compatible with international economic rules
  - The negative list for FDI has shrunk from 190 items in 2013 to 37 in 2019
  - According WB evaluation, China's “ease of doing business” ranking improved from 96 in 2013 to 31 in 2019





Pilot Free Trade Zones in Mainland China





### 3.5 Strengthening of Innovation Capabilities

- Some scholars believe that China is now at the pivot point of the world two economic cycles. BRI has intertwined these two cycles
- A report (2015) issued by CASS
  - Of the more than 60 countries along the B&R route, one is in the pre-industrial stage, 14 are in the early stage of industrialization, 16 are in the middle stage, and industrial level of 44 countries are lower than China
- When cooperating with China, some BRI countries
  - In short term: incomes and foreign exchange reserves
  - In the long run: upgrade industries and technologies



- The innovation capabilities and brand soft skill processes of Chinese companies still need to be strengthened to match the requirement
- Chinese companies are now actively improving innovative capabilities during co-construction the B&R
  - The China-Israel (Shanghai) Innovation Hub



# Thanks for your time!

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