A Fork in the Road? Korea and China’s One Belt, One Road Initiative

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Abstract

In 2013, two countries in East Asia launched their respective visions for an East-meets-West integrated region: China pronounced one of the most ambitious foreign economic strategies in modern times by any country, “One Belt, One Road” (OBOR), and South Korea launched the “Eurasia Initiative” (EAI). This paper examines the rationale, contours, implications, and possibilities for success of Korea’s EAI within the context of China’s OBOR, because a study of the former is incomplete without a clear understanding of the strategic political and economic motivations of the latter. This paper also draws conclusions about how EAI reflects South Korea’s national and regional aspirations, as well as the security implications for the relationship and interaction between the two countries’ alternate visions for a Eurasian continent. While Korean and Chinese visions superficially share a broad and similar goal of connecting two separate regions, ultimately their visions diverge fundamentally on conflicting understandings about national and regional security, and the political and economic roles that each country plays in achieving their ambitions.

Introduction

If the 21st century ultimately fulfills its predicted destiny as the “Pacific Century,” future historians may mark 2013 as the watershed year in which the gravity of world power shifted decisively towards the Asia-Pacific. In this year, the revival of the ancient “Silk Roads” suddenly reemerged to captivate the attention of policymakers around the world, and to spark the imagination of countless scholars and analysts who speculate about the emergence of a “New Great Game” over power and influence in the dynamic but uncertain region.

The sheer number of great powers and their potential ambitions in the Asia-Pacific are contributing to complex regional dynamics: among these are Russia’s “Eastern Dream,” India’s “Act East” policy, Japan’s “Free and Open Indo-Pacific Strategy,” and even the U.S. “Pivot to Asia.” Yet, perhaps the two most intriguing and notable visions for the region may be China’s “One Belt, One Road” (OBOR), and South Korea’s “Eurasia Initiative” (EAI). While the former clearly overshadows the latter—and frankly all other regional initiatives—due to the overwhelming breadth and scope of China’s ambitious plans, the relatively tiny South Korea’s aspirations may ultimately hold the key to the success or failure of China’s grand vision.

In September 2013, China’s President Xi Jinping officially initiated one of the most ambitious foreign economic strategies in modern times by any country: OBOR. If fully realized, it will fundamentally alter the economic, political, and social relationships between Eastern and Western societies. Notably, just one month later in October, South Korea’s President Park Geun-hye articulated her own vision for an East-West connection. Her call for an “Era of Eurasia” echoed the image of building a “Silk Road Express” which calls for physically linking the Western European continent with the farthest eastern end of the Asian continent, the Korean Peninsula.

Neither of these ideas is particularly original or new as they have waxed and waned over the centuries since the original Silk Road two thousand years ago allowed the flow of enormous quantities of goods, people, and ideas between the two continents. Today, as in previous eras, integration efforts are being driven largely by the multiplicity of great powers with strategic interests and equities in the Asia-Pacific. And as in the past, their ambitions
and actions have profound consequences for the myriad smaller states and societies that occupy strategically valuable geography that separates the great powers. One notable difference in the present era is that South Korea for the first time in its 1,000-plus year history (previously united until 1948) as an independent state, finds itself an indisputable regional and global “middle power.”

Since 1996 when the Republic of Korea (ROK – South Korea) joined the Organization for Economic Cooperation and Development (OECD), this new and unfamiliar status as a “modern” and significant country has profoundly altered South Korea’s national ambitions and broadened its ability to achieve them, even as the regional power structure and its attendant security challenges have remained largely unchanged and constant. Thus, regardless of its middle-power heft today, South Korea —and indeed the entire Korean Peninsula—has and always will be overshadowed by far larger powers which surround it geographically and imposes an inescapable sense of vulnerability for the Peninsula.

Exacerbating South Korea’s insecurity in particular is the peculiar challenge posed by North Korea, which since its very inception as the Democratic People’s Republic of Korea (DPRK) in September 1948, has posed an existential threat to the ROK, and vice versa. Moreover, because the DPRK occupies the northern half of the Korean Peninsula, its continued existence effectively makes the ROK a geographic island, physically cut off from the Asian continental landmass. Thus, South Korea has unsurprisingly maintained a remarkably consistent national security strategy, given the persistent threat from the North since the Korean War ceased with an Armistice in 1953 rather than a permanent peace treaty.

Conventional wisdom dictates that small powers—such as the two Koreas—have little freedom to forge independent foreign policies, particularly when situated in a region dominated by much larger powers, because they are hindered by the overwhelmingly disproportionate power of regional neighbors. Nevertheless, both Koreas have separately demonstrated exceptional ability to leverage their respective limited relative power into surprisingly independent strategies. For South Korea, the primary driver of its foreign policy orientation, particularly since the end of the Cold War, has been an internally-based shift in its self-perception of national power. This in turn has been reinforced and shaped by changes in the external environment despite its core national interests remaining steadily focused on independent survival.1 Notably, North Korea has also adopted a new self-perception of its own national power, fueled—perhaps unrealistically—by its relentless pursuit of nuclear weapons and their delivery systems. The North’s dangerous pursuit of national power is similarly embedded firmly in an overarching focus on its own version of independent survival. But in contrast to the South, the North persistently refuses to allow the external environment to shape its internal development, exacerbating South Korea’s existential dilemma and future regional and global stability.

Given such security constraints, this paper examines South Korea’s EAI and considers its rationale, contours, and possibilities of success within the context of China’s OBOR. An analysis of the former cannot be divorced from the latter because of OBOR’s profound regional and global impact and its direct relationship to the EAI. In examining OBOR, China’s goals and rationale for this strategy must be studied, but rather than focusing on OBOR’s economic parameters about which much has been written already, the analysis here prioritizes the political and strategic motivations for the explosion of initiatives both from within and outside the region to integrate the vast Asia-Pacific and to “connect” it with the rest of the world. Finally, this paper draws conclusions about how EAI reflects South Korea’s national and regional aspirations, and implications for the relationship and interaction between the two countries’ alternate visions for a Eurasian continent.

China’s 21st Century “Silk Road”: OBOR Since assuming power in March 2013, Chinese President Xi Jinping has made the construction of networks that recreate the ancient silk roads connecting the Chinese empire with the western world a pillar of modern China’s national and foreign policies. Encapsulated in the catchy phrase “One Belt and One Road,” the ambitious project is actually comprised of two separate components that are ultimately to be joined.

The first component is the Silk Road Economic Belt (SREB) which President Xi announced in September 2013 during an official visit to Kazakhstan, and refers to a network of over-land transportation corridors to be developed under Chinese direction. In the last decade, Beijing has steadily built within its own country new roads and rail links from its populated eastern seaboard to vast stretches of still largely undeveloped and less sparsely populated territories in its western and southwestern provinces.
Having connected the nation’s vast western frontiers to its more developed eastern provinces via highways, railroads, pipelines, and telecommunication networks, China now wants to extend these infrastructure connections beyond its own borders across the Eurasian landmass all the way to the Western European mainland. The path includes countries in regions situated on the original Silk Road: Central Asia, the Caucasuses, the Middle East, and Southern and Central Europe.\(^2\)

The SREB, however, is far more ambitious than merely reviving the ancient silk routes because it envisions integrating other regions well beyond the historical roads. The new linkages also look northward, to connect China’s northeastern rustbelt with energy-rich Mongolia and Siberia via a modernized rail network. The SREB also looks south towards the Asian subcontinent, Southeast Asia, and even south-west towards Africa, seeking to create a cohesive economic area by creating land transportation networks, broadening trade, and increasing cultural and exchanges.

In 2015, almost $900 billion in more than 900 projects, involving some 60 countries, was pledged towards building the six primary land corridors comprising OBOR: (1) China-Mongolia-Russia; (2) New Eurasian Land Bridge; (3) China-Central and West Asia; (4) China-Indochina Peninsula; (5) China-Pakistan Economic Corridor (CPEC); and (6) Bangladesh-China-India-Myanmar (BCIM).\(^3\) (see Figure 1)

The second component of OBOR illustrates even further the expansive scope of China’s ambitions. President Xi unveiled the “Road” portion of OBOR one month later in October 2013 as a “21st century Maritime Silk Road” (MSR) during a state visit to Indonesia. While somewhat confusing because the “Belt” refers to land networks while the “Road” plans are for maritime routes, the two components are essentially integrally linked as OBOR envisions ultimately connecting railroad networks with maritime ports and routes.

**Figure 1. The Six Economic Corridors of the Belt and Road**

1 Turkmenistan
2 Uzbekistan
3 Kyrgyzstan
4 Tajikistan
5 Nepal
6 Bhutan
7 Bangladesh
8 Myanmar

- China-Mongolia-Russia Corridor
- New Eurasian Land Bridge
- China-Central Asia-West Asia Corridor
- China-Pakistan Corridor
- Bangladesh-China-India-Myanmar Corridor
- Indochina Peninsula Corridor
The MSR seeks to build maritime infrastructures throughout the Indo-Pacific, Middle East, and African coastal regions, linking the Pacific and Indian Oceans with the Mediterranean and Red Seas, via the Suez Canal. These would essentially connect the South China Seas to maritime Europe, to include the east coast of Africa along the way. These maritime corridors will be developed through construction of new ports and surrounding special economic zones to support them. Specifically, MSR includes plans to connect ports in Kenya, Tanzania, and Mozambique with the Indian Ocean; the Chinese government has already announced plan for a $3.8 billion railroad connecting Nairobi to the Indian Ocean port of Mombasa. From the east coast of Africa, MSR will then connect to the Red Sea via Djibouti, where China is building a naval base. From there, the maritime connection will continue into the eastern Mediterranean, and eventually central and southeastern Europe.

Spanning some 65 countries, approximately 4.4 billion people or 60 percent of the world’s population, and about 40 percent of global GDP if and when fully implemented, OBOR has the potential to make China the driving economic and diplomatic force for a development strategy and framework that will integrate the entire Eurasia.

The sheer expansiveness of OBOR, however, makes the project amorphous and unwieldy, and this is exacerbated by the fact that the Chinese government has not provided a clear definition of the strategy, with no official public announcements even detailing the precise countries and regions involved. Nor are the projects themselves specified other than being reported in Chinese media coverage as involving “infrastructure investment,” but they have included under a broad rubric everything from plans to install signs and information kiosks in Armenia, to the $46 billion investment pledged to Pakistan in April 2015.

While OBOR is not necessarily a “new” initiative because China has been heavily investing in overseas infrastructure construction across Eurasia for the last decade, it is nevertheless tremendously noteworthy, in great part because it is the Chinese government’s first explicit articulation of a single unified vision that coordinates its pattern of promoting massive economic projects abroad. Perhaps more significantly, OBOR is a clear political enunciation of foreign economic strategies, and is the country’s most ambitious foreign trade and investment project ever articulated.

Furthermore, OBOR reflects a profound shift by President Xi away from China’s long-standing foreign policy axiom in place since Deng Xiaoping deemed China’s national interests as “keeping a low profile” in international affairs in order to focus on domestic economic modernization and stability. OBOR thus marks the start of a new era that casts aside past taboos against Chinese foreign intervention, including building overseas bases, developing clear spheres of influence, creating buffer zones, and forging alliances.

**OBOR’s Motives and Goals**

While many skeptics doubt both the feasibility and highly ambitious vision of OBOR especially given the project’s opacity, the Chinese government nevertheless has emphasized the strategy’s primary purpose as economic in nature. Indeed, the government has been focused on increasing diplomatic coordination to standardize and link trade facilities, create free trade zones, and promote other trade facilitation policies among countries in the targeted regions. Even more broadly, OBOR calls for financial integration within participating regions—which promotes the global role of the renminbi—and enlargement of people-to-people cultural education programs.

Although the focus of OBOR’s projects may indeed be targeted towards achieving economic goals, they ultimately serve the country’s political objectives of promoting national stability and strength. In turn this contributes to China’s dominance regionally, which by OBOR’s very objective is to expand the boundaries of the region itself. Specific national goals radiate in priority from the most immediate goal of stabilizing China’s struggling domestic economy by opening new markets, generating increased demand for Chinese exports, and boosting the development of increasingly competitive global industries. In March 2015, Xi stated that annual trade with countries along OBOR would surpass $2.5 trillion by 2025. According to some estimates, OBOR could stimulate as much as $4 trillion in investment over the next three decades, although only $230 billion worth of projects are currently in various stages of development.

OBOR’s potential to link vast new markets with the Chinese economy will also boost sluggish domestic demand and provide relief for inefficient state-owned enterprises (SOEs) suffering from over-capacity. OBOR’s focused emphasis on infrastructure development and investment are meant to ease the tremendous...
burden on struggling SOEs, and on the government which cannot readily shut them down without instigating severe economic, social, and even political repercussions for the leadership. Moreover, OBOR provides a useful rallying agenda for the Chinese Communist Party (CCP) which has struggled with uncertainty and internal divisions under Xi’s toughening “reform” campaign.

Another objective the OBOR serves is to secure energy supplies through new pipelines and other transport lanes—both rail and sea—in Central Asia, Russia, and through South and Southeast Asia’s deep-water ports. The countries within the orbit of OBOR account for 70 percent of the world’s energy reserves. Energy security has always been a top priority for Northeast Asian countries, especially resource-poor and energy-starved countries such as both Korea and Japan, making it not just an economic but national security prerogative. But even for relatively resource-rich China, energy sufficiency has been a major concern for the government, increasing exponentially with its economic development and modernization.  

Domestic economic growth, however, is closely interwoven with the leadership’s preoccupation with political and social stability, and it views promotion of broad stability in all neighboring countries as an integral aspect of reinforcing domestic harmony at home. With the distinction of having the largest number of foreign countries almost completely encircling its territory (fourteen), China has understandably maintained a hyper-vigilant preoccupation with not only protecting its territorial integrity but being wary of the potential for instability or conflict in any neighboring state. 

Beijing’s continuous support over the decades of the regime in Pyongyang—both implicit and tacit—despite immense international pressure against such policies further demonstrates China’s strategic priority of supporting and protecting its neighbors no matter how unpalatable or high the costs, especially if the overarching goal is to fend off the presence of a major power such as the United States directly on its border. It is clear that North Korea serves as a useful geographic buffer between U.S. military forces which are arrayed on the DPRK’s southern border.

In this sense, OBOR can be considered a prophylactic strategy to promote long-term stability in neighboring countries through economic investments to prevent China being “forced” into a military confrontation with another major power. Underlying China’s preoccupation with stability both internally and in bordering countries is the CCP’s most immediate concern: eliminating separatist movements that endanger the unity of the Chinese political system and its functioning as a unified state. In a country of over 1.38 billion people, increased agitation among the 11.5 million Muslim Uighurs, the largest ethnic minority, is becoming a serious domestic security concern due to their growing extreme and violent efforts to gain greater autonomy and even independence from Beijing’s increasingly harsh authority and oversight.  

The possibility of any separatist movement succeeding is anathema to the Chinese leadership and is an unacceptable development because of its potential to trigger a domino effect that could lead to the collapse of the entire state system. Elections this year in Taiwan and Hong Kong have intensified the Beijing leadership’s concerns about challenges to its central authority. Movements calling for independence may actually be more threatening to the Chinese leadership than pro-democracy movements, because they are a direct threat to President Xi’s dream of building a strong nation-state. While separatist versus pro-democracy agitations may be a distinction without a difference for the much of the world, especially in the West, for the CCP pro-democracy efforts are threatening in great part because they may trigger calls for separatism or independence from ethnic minority groups. Thus, while some analysts argue that the geostrategic aspects of OBOR are “overstated” because its primary objective is ultimately to “advance key economic goals,” the argument here is that there seems to be little doubt that for Beijing, economic goals are subordinate components of broader national goals, which in turn formulate the basis for geo-political calculations.  

In essence, OBOR is a manifestation of a new “extra-territorial” project by China that seeks to shape a new informal architecture in surrounding regions which prioritizes stability—economic, political, and social—as the primary goal for nations within OBOR’s orbit. To be explicitly clear, this is not an argument that purports that OBOR is the first step towards Chinese ambition for global hegemonic dominance, at least not yet. Rather, OBOR at least presently, reflects more narrow Chinese goals of expanding the country’s influence in surrounding regions in order to shape existing international rules and norms to better reflect its own preferences, which are not always synchronous with global standards.
Fusing Chinese Economic and Political Power

That OBOR is clearly an economically driven initiative to serve the political goals of promoting extra-territorial stability in neighboring regions, is evidenced by the tremendous resources the central government is willing to expend to support it. In this regard, China may be perhaps the only country in the world with the strategic and bureaucratic will and matching resources to even conceive of such an audacious project much less implement it successfully.

Among the many economic instruments at the government’s disposal are its ability to corral national “funds” to direct the vast amounts of capital required for OBOR’s massive projects. One of these is the “New Silk Road Fund” (NSRF), comprised of some $40 billion—officially launched in February 2015—whose function is to promote “private” investment in areas along the OBOR but is supported by the nation’s foreign reserves, government investments, and state-owned financial institutions. Another crucial economic tool are the nation’s “policy banks” whose explicit missions are devoted to financing infrastructure and other national policy priorities domestically and abroad.

They have been the primary funders of the six main corridors of the SREB worth some $900 billion, and have lent more than $80 billion on over 1,000 projects in 49 countries related to OBOR. In stark comparison, the Asia Development Bank (ADB) had lent only $27.1 billion in infrastructure and development projects by 2015.

Beyond the national economic instruments at its disposal to direct funds toward OBOR development is Beijing’s growing diplomatic weight and power in its foreign relations. President Xi has personally endorsed numerous bilateral agreements celebrating the cooperation between his country and those who support “partnership with the PRC.” These include strategic agreements with the United Arab Emirates (UAE) in December 2015 establishing a joint investment fund totaling $10 billion, and the launch of a $2 billion fund with the Russian Direct Investment Fund, a state-backed asset manager.

Other OBOR projects reflect not only Beijing’s diplomatic and economic heft, but their convenient marriage with the domestic political calculations on the part of partnering states pursuing bilateral agreements with China to develop massive infrastructure projects. One example is the estimated $45 billion construction in Egypt of a new administrative and business capital on 270 square miles of remote desert land. While no public details have been released, the project is crucial for President Abdel Fattah Al Sisi who took power through a bloody military coup in 2013, and is trying to build political legitimacy and boost his troubled economy through infrastructure development.

Competition with Western, Japanese, and even South Korean interests in key regions is certainly a primary consideration in China’s implementation of its OBOR strategy. As such, a third, and perhaps the most significant economic tool utilized by Beijing to support OBOR initiatives is the Asian Infrastructure Investment Bank (AIIB). Officially launched in October 2014 with China providing most of the $100 billion initial capital, it sought to expand multilateral membership and quickly garnered applications from more than 40 governments from five continents, despite strong disapproval from the United States. Notably, many of the countries that are included in OBOR are also members of AIIB.

China’s bold creation of the AIIB has sparked intense debate about its intentions and motives. Ostensibly initiated by China to meet the needs of an admittedly enormous and much-needed infrastructure financing deficit in Asia, there can be little doubt that the AIIB serves as a mechanism to extend Chinese ambitions to increase its geopolitical influence. At least three of AIIB’s initial projects will involve expanding transport arteries in Central Asia and Pakistan. Yet the AIIB is hardly a singular financing mechanism for China’s OBOR ambitions, as its operations will be expanded gradually, investing only $1.5 to $2 billion in infrastructure this year, with a goal of reaching $10 billion by 2018; these amounts are an insignificant contribution to the $900 billion projected estimate of OBOR’s costs.

Thus, the real significance of the AIIB and its role in OBOR is not really its financial contributions or clout in regional development, but rather that it serves an instrumental purpose to bolster the legitimacy of China’s vision of an expanding extra-territorial order. As The Economist recently noted, the AIIB “institutionalizes” official Chinese lending abroad which has been “generous, but contentious.” By muting Chinese financial contributions to development and infrastructure projects in the region behind the cloak of a multilateral identity, developing countries can become more readily accustomed to accept Chinese economic influence, with less domestic political and social resistance.
Indeed, AIIB is only one part of China’s broader strategy of spreading its financial weight to other multilateral institutions in which it plays the lead role. Another is the New Development Bank (NDB), a development organization that replaces the original BRICS Development Bank. China’s tactic of organizing multilateral groupings, particularly in its surrounding regions to serve its broader strategic goals is not limited to financial arrangements. This focus is a relatively new development and reflects China’s growing economic power and confidence only in the recent decade.

East Meets West: South Korea’s “Eurasia Initiative” (EAI)

Meanwhile, as powers great and small jostle on China’s northern, western, and southern flanks to take advantage of the opportunities created by Beijing’s economic activism and expansion in the region, China’s eastern-most neighbors on the Korean Peninsula have been no less active. As one Russian scholar notes, the surprising source of an “arrow” aimed at strategic expansion into the Eurasian mainland came from an unexpected direction and “the remotest actor of all”: South Korea. Moreover, he deems the sheer “scale of the idea [as] breathtaking.”

In October 2013, Seoul hosted the “Global Cooperation in the Era of Eurasia” conference where President Park articulated her economic vision for the region with the EAI. One should note that South Korea’s strategic interest in, and active engagement of the broader region beyond Northeast Asia is not new, and had been well developed by her immediate predecessor, President Lee Myung-back, under his “New Asia Initiative” (NAI) launched in 2008. In brief, the NAI sought to increase ROK cooperation with “all the countries of Asia,” and although it initially focused on Southeast Asia, the initiative contained an expansive definition of the region to include Central and South Asia. At the core of the NAI was the ROK’s desire to capitalize on its development experiences and unique middle power role by playing a “bridging” role between large and small regional powers, as well as between developed and developing economies.

Nevertheless, President Park’s EAI contains new and more focused elements for regional cooperation by calling for resurrecting the ancient “Silk Road” in order to link energy supplies with key transportation infrastructures, including electricity grids between Europe and Asia. These physical linkages would form the basis for gradually eliminating trade barriers, ultimately leading to the establishment of a vast free trade zone encompassing both continents.

An immediate element of this vision at the time was the realization of an ROK-PRC Free Trade Agreement (FTA) which was signed on June 1, 2015, three years after negotiations began. EAI could then potentially join the ROK’s existing FTA with the EU, which entered into force in July 2011, linking the Chinese and European markets through Korea. It is also important to note that beyond the bilateral FTA with China was a broader vision for expanding regional free trade, including acceleration of a Korea-China-Japan FTA, and linking these trade agreements to other areas within and outside Eurasia, such as the Regional Comprehensive Economic Partnership (RCEP) and the Trans-Pacific Partnership (TPP).

RCEP is widely considered a partial alternative to TPP because the former includes China, India, and the ROK, not current members of TPP. If fully realized, linkage of the trilateral Northeast Asia FTA with RCEP and TPP would create a “super” free trade area linking not just the European and Asian continents, but the North and South American ones as well.

According to one ROK government representative, EAI when fully integrated will create a “gigantic market accounting for more than 90 percent of the world economy...with the Korean Peninsula [as] the Gateway of Eurasia” linking it across the Pacific ocean to the Americas. It is envisioned as a combined region encompassing almost 55 million square kilometers—or 40 percent of the world’s land area—with 78 countries, and accounting for more than 70 percent of the global population. Most importantly, the eastern-most starting point for the continental Eurasia region is the southern tip of the Korean Peninsula.

While some may be skeptical of the grandiosity of such a boastful vision, it is a fact that South Korea’s advanced port infrastructure and strength in the global shipping industry—notwithstanding the current troubles plaguing Hanjin—provides a natural gateway from the Asian continent to the Pacific, providing maritime and land access points from continental Eurasia to the Atlantic.

Moreover, geographical linkages through Central Asia are key to the fulfillment of this vision, and South Korea has had a relatively long history of economic and cultural ties with the countries of this region. While the immense popularity of the “Korean Wave” of popular culture, or hallyu, sweeping through the region is a relatively new phenomena that has certainly raised the profile of South Korea in Central Asia, social and economic ties are deeper.

For example, Uzbekistan is astonishingly home to the fourth largest Korean diaspora population globally (after China, the United States, and Japan), numbering more than 176,000. And remittances to Uzbekistan from the 17,000 ethnic Koreans
The growing importance of Uzbekistan as South Korea’s strongest economic partner in the region is a strong indication that EAI’s broader goals are to seek benefits beyond merely short-term economic gains. Indeed, the success of EAI’s implementation is implicitly based on the shared understanding among participants that broader strategic considerations can be achieved.

As a land-locked country, Uzbekistan has long felt relatively more vulnerable than its neighbors, and has been the lone holdout against Russian pressure to join a regional customs union (the EEU), fearing loss of sovereignty and the return to a client-state status with Moscow. Such sensitivity to surrounding great powers evokes strategic affinity with Korea’s similar position, and clearly contributed to its welcoming of South Korean economic investments as an alternative to Russian and Chinese influence. With South Korea’s belief that Uzbekistan will be the “hub in the New Silk Road,” declared during President Park’s visit to the country in May 2015, Seoul expects to have a significant role in Uzbekistan’s announcement of five-year $55 billion plan to modernize its infrastructure by creating new roads and airports.

ROK’s other anchor in its engagement with Central Asia is Kazakhstan, the largest and richest of the five regional republics. With its vast resources of oil and natural gas, Kazakhstan is a natural strategic partner for the highly energy-dependent South Korea. During her state visit to the country in June 2014, President Park secured continuation of three joint large-scale projects worth $10 billion established under the previous administration—which had been stalled—and agreed to enhance cooperation in construction of oil production facilities and oil field expansion projects worth some $4.4 billion. Perhaps most crucial for President Park’s EAI, which seeks to expand transportation and energy infrastructure between the European and Asian continents, the two countries signed a memorandum of understanding (MOU) on railroad cooperation, which allows for South Korea’s participation in the modernization of Kazakhstan’s railway system.

Kazakhstan, despite being the most amenable among Central Asian countries to close cooperation with bordering powers Russia and China, nevertheless has historically displayed an affinity for South Korea, which like Uzbekistan, lies in deeper historical and cultural ties that have contributed a powerful sentimental role in Kazakh-ROK bilateral cooperation. And Kazakh President Nursultan Nazarbaev has frequently cited the importance of South Korean involvement in his country’s industrial development after its independence in 1991 from the former Soviet Union, repeatedly invoking South Korea as a model for future modernization.

Such allusions evoke a painful reference to South Korea’s dictatorial past during its massive industrialization period, and perhaps serves as political legitimization of Nazarbaev’s current authoritarian regime. Nevertheless, South Korea’s development into a vibrant and stable democracy today provides a positive and powerful model for Kazakhstan’s potential future development, and is an important strategic advantage and distinction that no other power can offer, certainly not China or Russia, nor the United States which is often considered as demanding unrealistic standards for reform.

The significance of South Korea’s confidence that it can play a bridging role between large and small powers, as well as between the developed and developing economies as a rationale and goal for EAI should not be underestimated. This is based on one of the motivating principles of the preceding NAI, in which President Lee asserted that the ROK can play a central role in representing the interests of Asian nations in the global arena in a more plausible fashion than China or Japan, whose occasional over-bearing attitudes have often tainted political goodwill in the region.

Indeed, as a small power that often fell victim to the exigencies of great power competition, Korea’s historical experiences carry great resonance with many countries not just in Central Asia but also in Southeast Asia, who have similarly been dominated culturally, politically, economically, and even militarily at some time by Chinese and Japanese empires. Recent Chinese displays of military muscle in the region, especially in maritime arenas, has only heightened concern about Chinese intimidation among the smaller countries of Southeast Asia. Exacerbating their insecurity is the growing uncertainty about the future of
U.S. commitments in Asia in part due to the lack-luster success of the “Asia Pivot” —including increasingly negative rhetoric regarding the TPP, the designated “core” of the Pivot—and the forthcoming change in leadership in Washington. South Korea is therefore, uniquely positioned to be the “honest broker” in furthering the interests of smaller powers in the region.

Thus, EAI’s broader ambitions exceed the more narrow interests of obtaining economic gains—for the ROK and participating countries—through merely broadening intra- and inter-regional trade, or even the longer-term benefits of reducing energy insecurities by expanding and connecting natural resource networks in Eurasia. In effect, the ultimate strategic vision of EAI is of achieving a “win-win” outcome for all that creates not just “one continent” but a “continent of peace,” according to President Park.43

The “Pivot” of EAI: North Korea

While EAI’s primary objective is clearly to promote closer cooperation within the region also envisaged in China’s expansive OBOR, perhaps its most crucial component, is the underlying intention to permanently alter dynamics on the Korean Peninsula. While the economic scope of EAI is miniscule compared to OBOR—predictably so, given China’s vast relative economic resources—in one sense President Park’s vision is even more grandiose than China’s ambitious scheme, due to the ROK’s unambiguous prioritization of EAI’s political goal: to fundamentally alter the geopolitical and security landscape of Northeast Asia.

President Park declared that this is to be accomplished by the “establishment of peace on the Korean Peninsula,” thereby unleashing the physical flow of economic, political, and social interaction from the continent of Europe all the way to the “easternmost pillar of the Asia,” the southern tip of the Korean Peninsula. The “division of the Korean Peninsula,” she further asserted, “is causing bottlenecks on the path of exchanges and cooperation...to this end, we have to build the Silk Road Express [railroad], which will run from Busan all the way to Europe via North Korea, Russia, China and Central Asia.”44

Thus, President Park was making explicitly clear that the single impediment to the creation of not just a modern “Silk Road” but a true geographic connection between Europe and Asia necessitated peace on the Korean Peninsula. In this sense, it is an implicit challenge to China’s own vision of reviving the ancient Silk Routes by reminding the Middle Kingdom that continental Asia’s northeastern peninsula has played the pivotal role in regional stability for centuries, and that without its participation, OBOR is ultimately an incomplete vision for the future of the Asia-Pacific, or the creation of a true Eurasian region.

Suffering the depredations of hundreds of foreign invasions over its 2,000-year history, both Koreas are excruciatingly aware that their territory has always been coveted for its strategic rather than intrinsic value, as the crucial access point both into and off mainland Asia. “Hanging like a ripe fruit for the plucking,” Korea has been simultaneously viewed as a “dagger pointed at the heart of Japan” or the bridge providing access to the Asian continent, depending on external orientation.45

Thus, South Korea’s desire to overcome the existential and geographic barrier maintained by North Korea which prevents its physical connection to Eurasia is President Park’s foreign policy priority, and is clearly a vision supported by the United States and its allies such as Japan and Australia, which would all benefit from such an achievement.

Accordingly, President Park unveiled a bold series of proposals towards the North in August 2014, which included an ambitious plan to revive long-stalled inter-Korea railroads (or Trans-Korea Railroad – TKR) connecting Kaesong, near the North-South border, with Sinuiju, a major trading area on North Korea’s western border with China, and another with Rajin, an important port on the eastern border with China.46 This project, among others, was considered a key part of her “Trustpolitik” approach towards North Korea, which is based on developing areas of cooperation with North Korea through reciprocal trust-building measures, with the goal of eventually opening the North and thereby altering the regime’s interests and behavior, and eventually leading to peaceful reunification.47

Undoubtedly, beyond the immense political and security benefits to be reaped, short-term economic gains would also accrue if successful: a trans-continental link to the Eurasian Land Bridge would provide an alternative to trade by ship transport, for which the ROK’s immense trading volume is almost entirely dependent. Furthermore, the potential reduction in overland shipping costs between South Korea to Europe could eventually be reduced up to 30 percent, according to some estimates, providing a much-needed boost to South Korean exports, upon which the economy’s growth is still heavily dependent.48
Despite these potential economic gains, the primary impetus driving South Korea’s EAI is not economic, but political and security motives. This was evident in the subsequent elaboration of the official title to the launch of Park’s EAI speech: “One Continent, Creative Continent, Continent of Peace: Opening and Denuclearization of North Korea Through the Peaceful Prosperity of Eurasia.” Reinforcing the prioritization of North Korea as the paramount element of EAI’s future success was President Park’s corresponding launch of the “Northeast Asia Peace and Cooperation Initiative” (NAPCI) articulated during her address to the Joint Session of the U.S. Congress in May 2013. NAPCI was a roadmap for implementing Trustpolitik beyond the Peninsula, to increase cooperation and reduce distrust at the regional level, according to Yun Byung-Se, ROK’s Foreign Minister.

Indeed, in the months and years following NAPCI’s articulation, the ROK government launched a concerted effort to promote policies towards North Korea of “humanity, co-prosperity, and integration.” These included the Ministry of Unification’s (MOU) August 2014 announcement proposing 96 new inter-Korean projects, including support for North Korea’s fishing industry, restoration of ecological systems, and normalization of the Kaesong Industrial Complex, which by 2014 had been reduced after inter-Korean tensions mounted in 2010. The MOU proposal also included plans to consider revitalization of the Kaesong-Sinuiju rail link that had been stalled for years.

Notably, neither Trustpolitik nor NAPCI were genuinely new concepts in South Korean approaches towards the North, despite being presented as “bold new” initiatives by the Park government. Indeed, the basic tenets of Trustpolitik built upon the principles of “Sunshine Policy” or engagement, initiated by President Kim Dae Jung (1998-2003). And NAPCI’s principles had been earlier encoded in the September 19, 2005 Joint Statement of the “Six Party Talks,” which formally established and launched the principles of “Sunshine Policy” or engagement in 2000. The noteworthy development during this period is that while the pendulum of South Korean policies towards the North had once again swung away from open engagement, the linkage between inter-Korean developments and the ROK’s independent pursuit of regional and global engagement remained disconnected.

Thus, perhaps the single most significant shift in South Korea’s national strategies since the end of the Cold War is President Park Geun-hye’s reversal of a decades-old orientation of priorities regarding resolution of inter-Korean security issues, which had until then become secondary to the ROK’s goal of nation-building. While continuing to capitalize on the progress achieved by her predecessors, particularly at the regional and global levels, she nevertheless boldly reordered South Korea’s national priorities by placing primacy on resolution of the inter-Korean division as the commencing point from which radiates all other regional and global cooperation and integration efforts. Indeed, she has purposefully wielded South Korea’s status as a middle power with sufficient global influence to rally other states and the international community to jointly press against North Korea’s increasingly aggressive behavior.

North Korea’s fourth nuclear test in January 2016 followed by a fifth test in September, as well as its steady barrage of missile development and launches this year seem to have reinforced President Park’s determination that resolution of inter-Korean hostilities will not be an outcome of regional integration and
cooperation, but a prerequisite for grand visions, such as the creation of a Eurasian region. Notably, she has also revived the single over-arching priority that had dominated the ROK’s national goal until its explicit removal under the Sunshine Policy: reunification of the Korean Peninsula. It should be further noted that the goal of unification, on its own terms, has also always been the consistent and unwavering national goal of North Korea since the signing of the Armistice in 1953.

Conclusion
In today’s uncertain global environment with new threats and crises emerging with startling frequency, the Korean Peninsula unfortunately remains the focal point of a steady and compelling security problem, as it has for almost 70 years. Aside from the profoundly tragic human costs of the continued division of the Korean people, the political consequences of ongoing tensions and the potential for an outbreak of the Korean War frozen for 63 years has global ramifications, not the least because it could involve military confrontation among the world’s three largest nuclear weapons powers—the United States, China, Russia—and of course now North Korea as an “illegitimate” nuclear power. Yet, a permanent resolution of the bitter division of the Korean Peninsula has perhaps equally profound consequences for the future of the entire Asia-Pacific-Eurasia region, and may even hold the key to possible integration of the Eastern and Western worlds.

China has embarked on an astonishingly ambitious path to link several continents under a new informal architecture shaped by its desire to expand extra-territorial stability. Yet, the purposefully limited view westward (and north and south) with the explicit exclusion of its easternmost neighbor, the Korean Peninsula which is economically and strategically crucial for true regional integration, is strikingly stark. It is perhaps further confirmation that for China, maintenance of the status quo—division of the Korean Peninsula—even with North Korea’s ongoing pursuit of nuclear weapons programs, serves Chinese strategic goals: ensuring extra-territorial stability especially in its bordering countries.

Such entrenched Chinese interests are increasingly at odds with South Korea’s own vision for the region, supported by its growing confidence as a solid middle power. Exacerbating Korean skepticism about Chinese regional ambitions has been Beijing’s increasing boldness in asserting its power in the region, as evidenced by China’s unilateral declaration of an Air Defense Identification Zone (ADIZ) in November 2013, which shocked many South Koreans because of its inclusion of Ieodo (or “Parangdo” by Korea), a rock that China claims as part of its territorial rights (Suyan Rock). Thus, the ROK’s “Eurasian Initiative,” despite purporting to share similar goals with OBOR of reviving the ancient Silk Roads to promote economic benefits for all involved, is far more likely to be divergent paths than a shared road.

Yet, more than the potential loss of long-term regional benefits, the divergence between the two visions for extra-regional integration signal a deeper and troubling disparity in fundamental views about regional security. China’s refusal to acknowledge the obstructionist role that North Korea plays not only against regional integration but stability on the Peninsula is being acknowledged and challenged by the South Korean leadership, and increasingly by the public. The negative Chinese reaction to Seoul’s decision to deploy the U.S.-led THAAD (Terminal High Altitude Area Defense) system, while unsurprising, was startling in its vehemence, and has only served to increase South Korean suspicions about Chinese ambitions.

Indeed, Chinese willingness to insert itself into the domestic debate on South Korea’s sovereign right to defend itself is indicative of the extent to which China’s preoccupation with stability in its extra-territorial regions is crucial to its own perception and needs regarding its national security. Meanwhile, North Korea’s ability to assert its own independent actions despite regional and global pressures highlight the opportunities for exploitation created by the inability of regional powers to cooperate when national security interests diverge. Thus, the respective grand projects promulgated by China and South Korea to revive the ancient Silk Roads in order to promote regional integration may paradoxically unleash greater divisions in the Asia-Pacific, and fail to deliver the regional stability both nations are striving to achieve.
Endnotes

1 For a more detailed discussion of South Korea’s “independent” foreign policy development, see: Balbina Hwang, “The U.S. Pivot to Asia, and South Korea Korea’s Rise,” Asian Perspective, “Special Issue, No. 1,” 2017 (forthcoming).

2 Two major rail projects are already in the planning stages: one will likely link China’s Henan and Sichuan Provinces and the Xinjiang region to hubs in Serbia, Hungary, Poland, Germany, and the Netherlands by way of Central Asia, Iran, and Turkey. The other major rail connection links China to Europe by way of Russia via the “New Eurasian Land Bridge.” (Ian Mount, “Spain to China By Rail: A 21st Century Silk Road Riddled With Obstacles,” Fortune, December 24, 2014.)

3 Both CPEC and BCIM have not been officially classified as part of OBOR strategy, but the Chinese government has stated they are “closely related to the OBOR Initiative.” (“China, India fast-track BCIM Economic Corridor Project,” The Hindu, June 26, 2016).


6 The naval base in Djibouti – opened in 2016 – is the PRC’s first foreign military base since it withdrew its military forces from North Korea in 1958. In addition, a new counter-terrorism law passed at the end of 2015 legalized for the first time the dispatch of Chinese military forces for combat missions abroad without a UN mandate; this is considered a precursor for more active foreign military operations in the future. (Charles Clover and Luna Lin, “FT Big Read: China Foreign Policy,” Financial Times, September 1, 2016.)

7 Although all of these corridors have not been officially identified as part of MSR, China has already pursued projects that serve as key components of these routes; for example, the Greek government agreed to sell a 67 percent stake in Piraeus, the country’s largest port, to China Cosco Holding Company, a Chinese state-owned enterprise (SOE). Cosco already operates two container terminals in Piraeus under a 35-year concession it acquired in 2009. (Nektaria Stamouli “Greece Signs Deal to Sell Stake in Port of Piraeus to China’s Cosco,” Wall St. Journal, April 8, 2016.)


10 OBOR officially became formalized in China’s official national strategy in March 2015, when the National Development and Reform Commission, along with the Ministries of Foreign Affairs and Commerce, released an extensive joint “blueprint” for OBOR. It was further reinforced in the country’s official 13th “Five-Year Plan,” announced in October 2015 (Djankov, Ibid.)

11 Clover and Lin.


14 STRATFOR.

15 Energy demand in China has exploded by more than 500 percent since 1980, and the country is now the world’s largest energy consumer, and as of 2014 a net importer of oil. Additionally, its heavy reliance on coal – approximately 40 percent of the nation’s heating and electricity – has strained the environment. (Djankov, Ibid). Moreover, with Beijing’s recent commitment to the Paris Global Climate pact, the government must implement ambitious plans to move away from coal to cleaner imported sources of energy.

16 China share borders with 14 sovereign countries, more than any other country: Afghanistan; Bhutan; India; Kazakhstan; North Korea; Kyrgyzstan; Laos; Mongolia; Myanmar (Burma); Nepal; Pakistan; Russia; Tajikistan; and Vietnam.

17 The government officially recognizes 56 ethnic groups comprised of some 105 million people; the Han represent the largest ethnic group comprising nearly 92 percent of the population.


21 China’s three main “policy banks” are: China Development Bank (CDB), Export-Import Bank of China (EXIMBC), and Agricultural Development Bank of China (ADBC), and they are further supported by the Central Bank of China (CBOC) which regularly boosts them with billions of dollars of foreign reserves. (Gabriel Wildau, “China Backs Up Silk Road Ambitions With $62bn Capital Injection,” Financial Times, April 20, 2015.)


23 Wildau.


25 Egyptian media reported in January 2016 only that an alliance was announced between Egyptian authorities and China State Construction Engineering Corp. giving the Chinese SOE a major role in the project. (Tamer El-Ghobashy and Esther Fung, “Soft Power: China Backs $45 Billion Capitol Project,” Wall St. Journal, May 4, 2016.)

26 At the recent G-20 Leaders Summit in Hangzhou, in early September this year, Canada became the 57th applicant, and the last of the major economies and U.S. allies, except Japan, to join AIIB. (Pei Li, “Canada Applies to Join AIIB, First North American Country To Do So,” Wall St. Journal, August 31, 2016).

27 AIIB will fund a highway from Tajikistan’s capital, Dushanbe, to Tursunzoda in Uzbekistan’s border, and the Bakad Ring Road in Almaty, Kazakhstan (a joint project with the World Bank and EBRD). In Pakistan, the AIIB will join the ADB to fund a 64 kilometer road connecting Shorkot to Khanewal, Tajikistan. (Mitchell and Farchy, Ibid).

29. Gal Luft, “China’s Infrastructure Play: Why Washington Should Accept the New Silk Road,” Foreign Affairs, September/October 2016; Headquartered in Shanghai and launched in July 2015 with capitalization of $100 billion, the NDB was originally established by the five BRICS (Brazil, Russia, India, China and South Africa) with the aim of “providing technical assistance for projects to be supported by the Bank.” (New Development Bank, official website, www.ndb.int)


31. For a detailed discussion of NAI, and its impact on the regions of Central Asia and Southeast Asia, see: Balbina Y. Hwang, “A New Horizon in South Korea-Central Asia Relations: the ROK Joins the ‘Great Game,’” KoreaCompass, Korea Economic Institute, December 2012; and “Korea-Southeast Asia-U.S. Relations: The Gap in the U.S. Triangle?” KoreaCompass, Korea Economic Institute, March 2012.

32. RCEP is a trade liberalization arrangement first proposed in November 2012 and includes: the ten ASEAN states and their existing FTA partners, Australia, China, India, Japan, Korea and New Zealand. TPP is a finalized FTA (in February 2016, awaiting ratification) involving 12 countries: Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, United States, and Vietnam.


35. Hwang, “New Horizon in South Korea-Central Asia Relations,” Ibid.


37. Ramani.

38. The three projects originally agreed to by President Lee Myung-back are: construction of the Balkhash power plant; a chemical complex in the Atyrau region; and development of the Zhambyl oil and gas field. The two new projects are in Tengiz and Shymkent, and other joint projects includes exploration of zinc and lead mining. (Kang Seung-Woo, “Korea, Kazakhstan to Enhance Economic Cooperation,” Korea Times, June 19, 2014.)

39. Ibid.

40. In October 1937, in one of the largest and most brutal mass transfers of an entire ethnic group, the Soviet Union forcibly moved its entire population (171,781) of ethnic Koreans from the Russian Far East to an unpopulated area of what was then the Kazakh Soviet Socialist Republic. Left to fend for themselves in a desolate and inhospitable environment with no supplies, these hearty Koreans foraged housing dug by hand into the hillsides and somehow managed to survive the harsh winter. These Koryo Saram, which today number over 107,000, are today well-integrated into Kazakh society and have earned a respected reputation as industrious and hard-working, certainly contributing greatly to modern Kazakh admiration and affinity for the Korean people and culture. (Hwang, “New Horizon in S-K-Central Asia Relations,” KEI, 2012)

41. In the 1990s, Nazarbaev even commissioned South Korean economist Chan Young Bang to draft the original concept paper for Kazakhstan’s privatization program, although the final draft that was eventually implemented contained elements totally foreign to Bang’s concepts. (Robert Cutler, “South Korea Deepens Role in Central Asia,” Asia Times, May 25, 2012)

42. Hyun, NUAC Statement.

43. “Remarks by President Park Geun-hye, at the 2013 International Conference on Global Cooperation in the Era of Eurasia,” Seoul, Korea, October 18, 2016 (http://www.korea.net/Government/Briefing-Room/Presidential-Speeches/view?articleId=114334)

44. Bruce Cumings, Korea’s Place in the Sun (Norton, 2005).


46. The idea was first publicly articulated prior to her election as President of the ROK in December 2012 and subsequent inauguration in February 2013 (Park Geun-hye, “A New Kind of Korea: Building Trust Between Seoul and Pyongyang,” Foreign Affairs, September/October 2011). They were further refined and articulated in the so-called “Dresden Initiative” or officially: “An Initiative for Peaceful Unification on the Korean Peninsula: Dresden - Beyond Division, Toward Integration,” delivered in Dresden, Germany, March 28, 2014.


48. Hyun, NUAC Statement, Ibid.


51. Inter-Korean economic activities were significantly reduced with the so-called “May 24” sanctions imposed on North Korea in 2010, following the sinking of the ROK frigate Cheonan, in March 2010.


