

# **OBOR, AIIB and Economic Cooperation between Iran, Korea and China**

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# “One belt, One Road(OBOR)” Initiative

- In September of 2013, Xi Jinping proposed a strategic concept of 'The New Silk Road Economic Belt' and the "21st Century Maritime Silk Road"
- OBOR initiative aims to build huge economic belt that connects China and more than 60 nations through land and sea routes.
- Designed to achieve economic integration by connecting infrastructure, boosting trade and improving financing.
- **Background of the Initiative:** securing new growth engine in China's New Normal economy, reducing domestic overcapacity etc.

| Planned Land & Sea Routes of OBOR   | Major Tasks of OBOR        |
|---|----------------------------|
|  <p>The map shows the Silk Road routes starting from Beijing in China. A red dotted line represents the land routes, passing through cities like Xi'an, Lanzhou, Urumqi, Samarkand, Bishkek, and Almaty, extending to Europe (Istanbul, Athens, Venice, Rotterdam) and Africa (Nairobi). A blue dotted line represents the maritime routes, starting from Shanghai and passing through Hanoi, Bangkok, Singapore, and Jakarta, extending to the Indian Ocean and the Mediterranean Sea.</p> | -Policy Communication      |
|   | -Connecting Infrastructure |
|   | -Trade Expansion           |
|   | -Funding Exchange          |
|   | -Private Sector Exchange   |


# Historical Background of OBOR : Iran & Korea

- **OB:** Total length of 6;440km, starting from western China to Central Asia , Afghanistan, Iran, Syria, reaching the Mediteranean and finishing in Rome
- **OR :** Starting from coastal cities such as Guangzhou of Guangdong to the South Seas-Aiabian Sea-Africa's east coast
- **Iran:** The Sogdian (a people of Iranian origin) merchants were the most important players on Silk Road in Central Asia.
- **Korea:** Recent archaeological and historical studies indicate that Gyeongju, of the Silla Dynasty (Korean ancient kingdom) was the Eastern node of the ancient Silk Road.



# Establishment of AIIB

- In October 3rd, 2013, Chinese president Xi Jinping suggested the establishment of AIIB during his visit to South-East Asia
- By March 31<sup>th</sup>, 2015, Prospective Founding Members (PFMs) increased to 57 countries in Asia, Oceania, Europe, Africa and Latin America
- In December 25<sup>th</sup>, 2015, the Articles of Agreement entered into force and established the "Asian Infrastructure Investment Bank" and in January 16<sup>th</sup>, 2016 AIIB inaugurated for operations

| Basic Information   |                          |   |
|---|--------------------------|---|
|  | Member                   | 57 countries(37 regional & 20 non-regional) |
|   | Inaugurated date         | 18 January 2016                             |
|   | Headquarter              | Beijing                                     |
|   | President                | Mr. Jin Liqun(China)                        |
|   | Authorized capital stock | US\$100 billion                             |

# Implication of AIIB and OBOR

- The establishment of China's OBOR policy and AIIB complies with the trend of the shift and advancement of the center of global economy, resulting in the shift of the center of global economy to the Asian region.
- Through the construction of OBOR, China will promote interaction with countries in the OBOR, realizing the "new silk road" that can facilitate trade and investment
- Create an international trade industry chain with trade, distribution, industrial processing and commercial trade service through infrastructure investment in the OBOR region, which will develop the Eurasia Economic Zone and change the present structure of world economy



## OBOR Countries



65 Countries



33% of the World's Wealth



60% of the World's Population


# Integration of OBOR and AIIB

- With cash flow being most crucial factor for pushing OBOR initiative, AIIB will provide investment fund to countries in the OBOR region to deal with the growing demand of financial services.
- AIIB, as the investment and loan platform of OBOR, will improve the investment ability of the OBOR region and reduce the investment risk, resulting in the benefits of each country within the area.
- AIIB will concentrate on Asia, especially the construction capacity of low and middle income countries, and support to fill the gap of the existing international finance system

| AIIB's Operational Focus in 2016 |              |  |
|----------------------------------|--------------|--|
|                                  | Sector       | Transportation, energy, communications, rural development, urban development, etc.             |
|                                  | Financing    | Securing financing from the Asian market including China                                       |
|                                  | Co-financing | Implementing most projects with other MDBs<br>Promoting co-financing (USD 1.2 bil) with the WB |

# Implication to the Economic Cooperation Between Iran and Korea in Infrastructure Projects

- Iran needs to promote investment of public and private capital for development purpose, in particular in infrastructure and other productive sectors
- AIIB utilize the resources for financing such development, including those projects & programs which will contribute most effectively to the economic growth
- AIIB encourages private investment in projects, enterprises and activities contributing to economic development to supplement investment when domestic capital is not available on reasonable terms and conditions.

| MDB's Project Cycle   | Project Identification  |
|---|---|
|  <p>The diagram illustrates the ADB Project Cycle as a continuous loop. At the top is 'Country Partnership Strategy/Regional Cooperation Strategy'. Arrows point from this strategy to 'Preparation' (right), 'Approval' (bottom), and 'Completion/Evaluation' (top-left). From 'Preparation', an arrow points to 'Approval'. From 'Approval', an arrow points to 'Implementation' (left). From 'Implementation', an arrow points to 'Completion/Evaluation'. From 'Completion/Evaluation', an arrow points back to 'Country Partnership Strategy/Regional Cooperation Strategy'. A central circle is labeled 'ADB Project Cycle'.</p> | <ul style="list-style-type: none"> <li>-Gov's National Development Plan</li> <li>-<b>Projects Identified</b></li> <li>-Draft Project plan to MDB →MDB F/S</li> <li>-CPS Formulation →Gov. &amp; MDB confirmation</li> <li>-CPS release</li> </ul> |

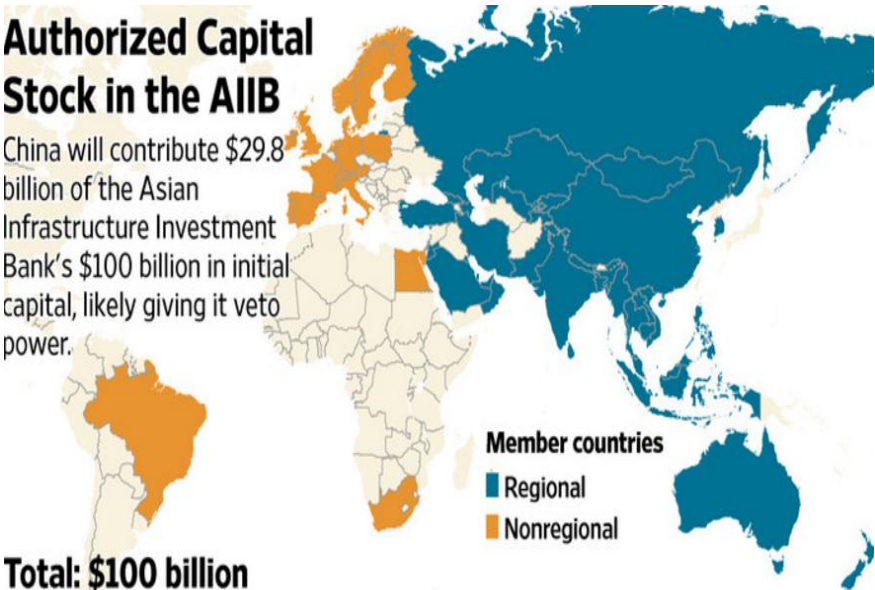


# Implication to the Economic cooperation Between Iran and Korea in Infrastructure Projects

- Korea can be a good partner in Iran exploring infrastructure projects based on the OBOR and AIIB.
- Ample experience and competitive edge in overseas construction  
→ capabilities to plan and manage projects, safety & quality management etc.
- Competitiveness in **urban development with ICT based systems** etc  
→ experience and know-how in developing new towns with smart system and entering the overseas urban development market.
- The fifth largest shareholder of the AIIB(3.81% stake & 3.5 % voting bloc.)

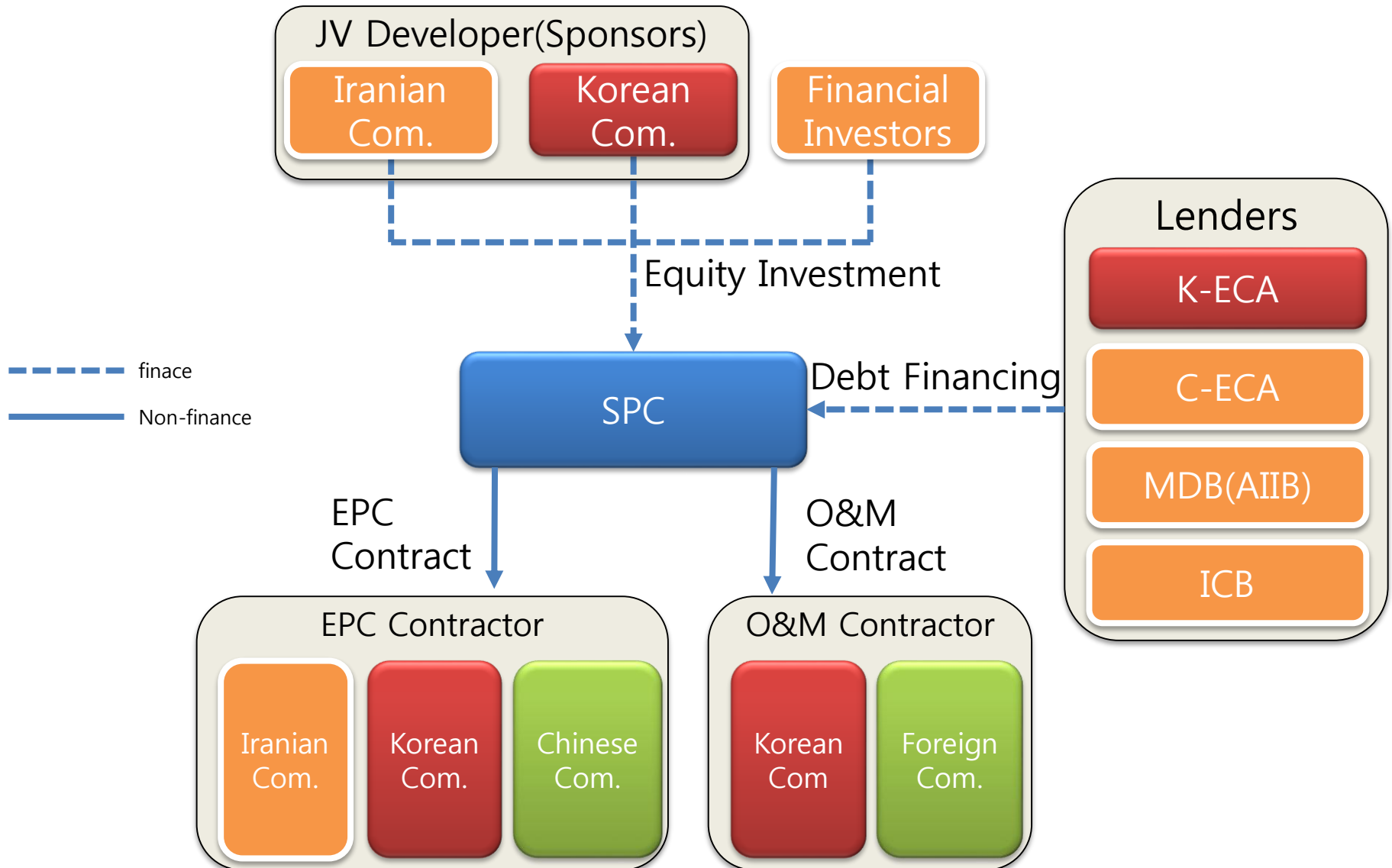
## Authorized Capital Stock in the AIIB

China will contribute \$29.8 billion of the Asian Infrastructure Investment Bank's \$100 billion in initial capital, likely giving it veto power.



| Nonregional members |            | Regional members    |                |
|---------------------|------------|---------------------|----------------|
| \$25 billion        |            | \$75 billion        |                |
| Top-10 contributors |            | Top-10 contributors |                |
| Germany             | \$4.5 bil. | China               | \$29.8 billion |
| France              | 3.4        | India               | 8.4            |
| Brazil              | 3.2        | Russia              | 6.5            |
| U.K.                | 3.1        | South Korea         | 3.7            |
| Italy               | 2.6        | Australia           | 3.7            |
| Spain               | 1.8        | Indonesia           | 3.4            |
| Netherlands         | 1.0        | Turkey              | 2.6            |
| Poland              | 0.8        | Saudi Arabia        | 2.5            |
| Switzerland         | 0.7        | Iran                | 1.6            |
| Egypt               | 0.7        | Thailand            | 1.4            |
| Others*             | 3.4        | Others†             | 11.4           |

# JV Model: Total Solution Provider

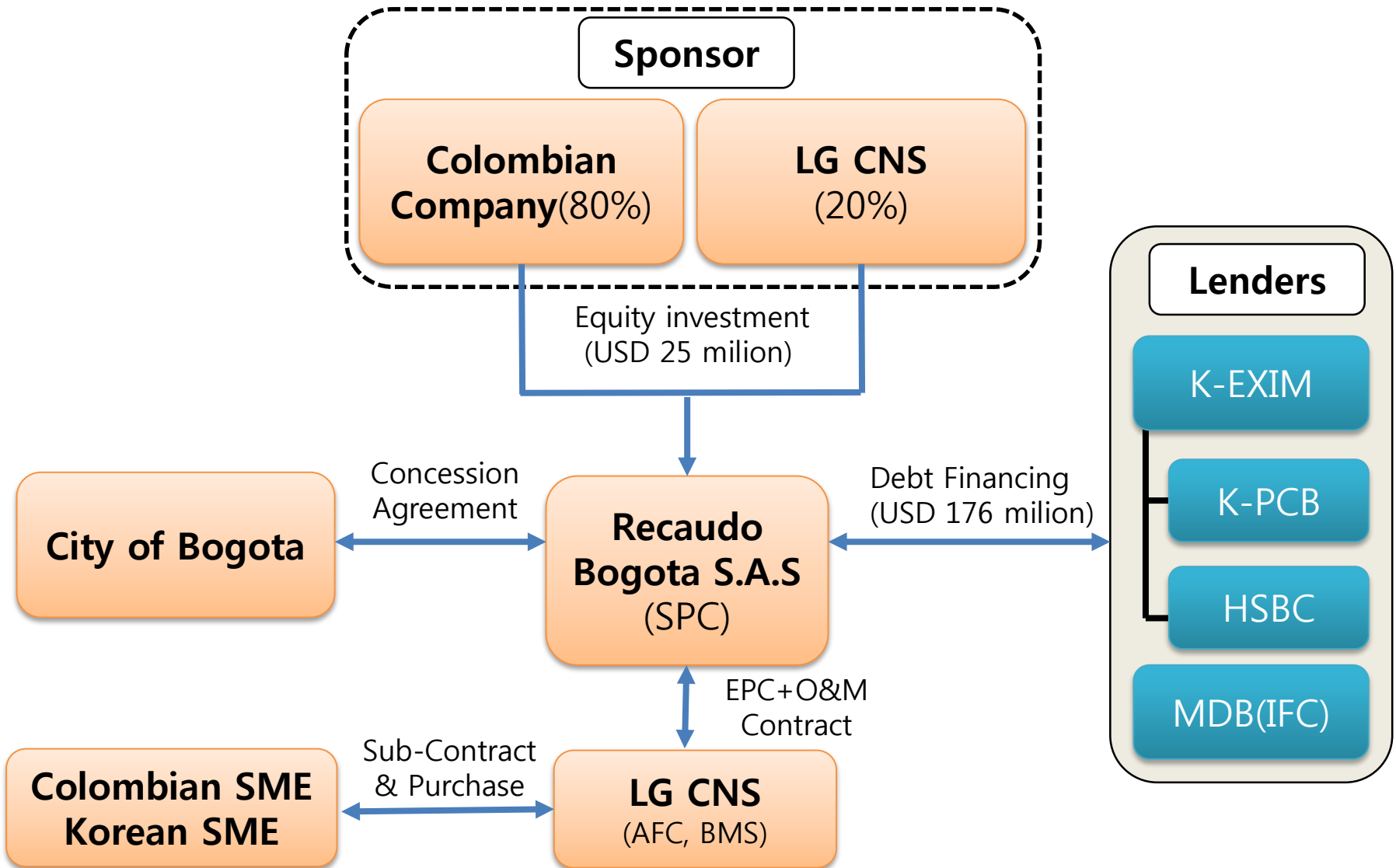


# Colombia Smart Transportation(2012)



*LG CNS transportation card system on a bus in Bogota*

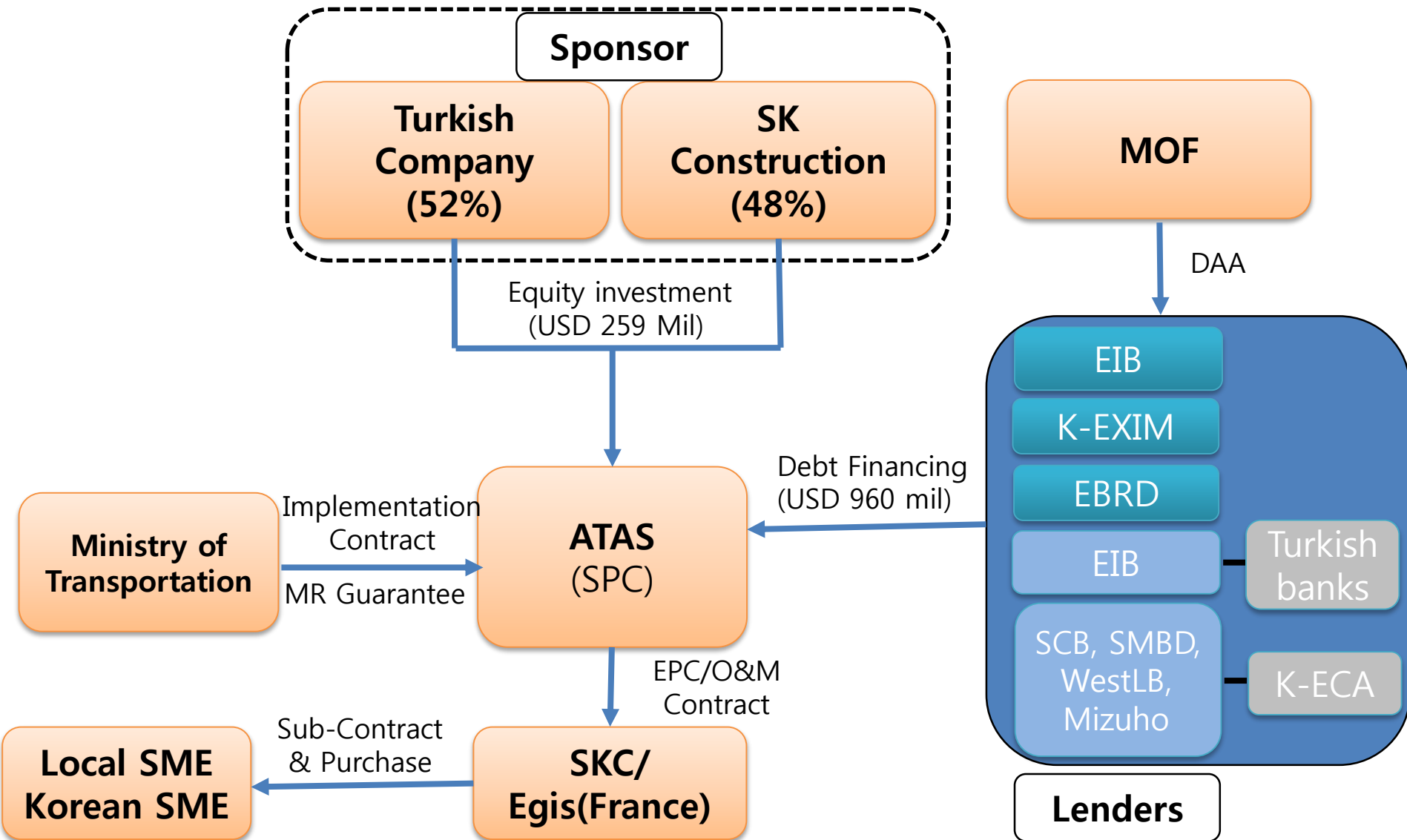
# Colombia Smart Transportation(2012)



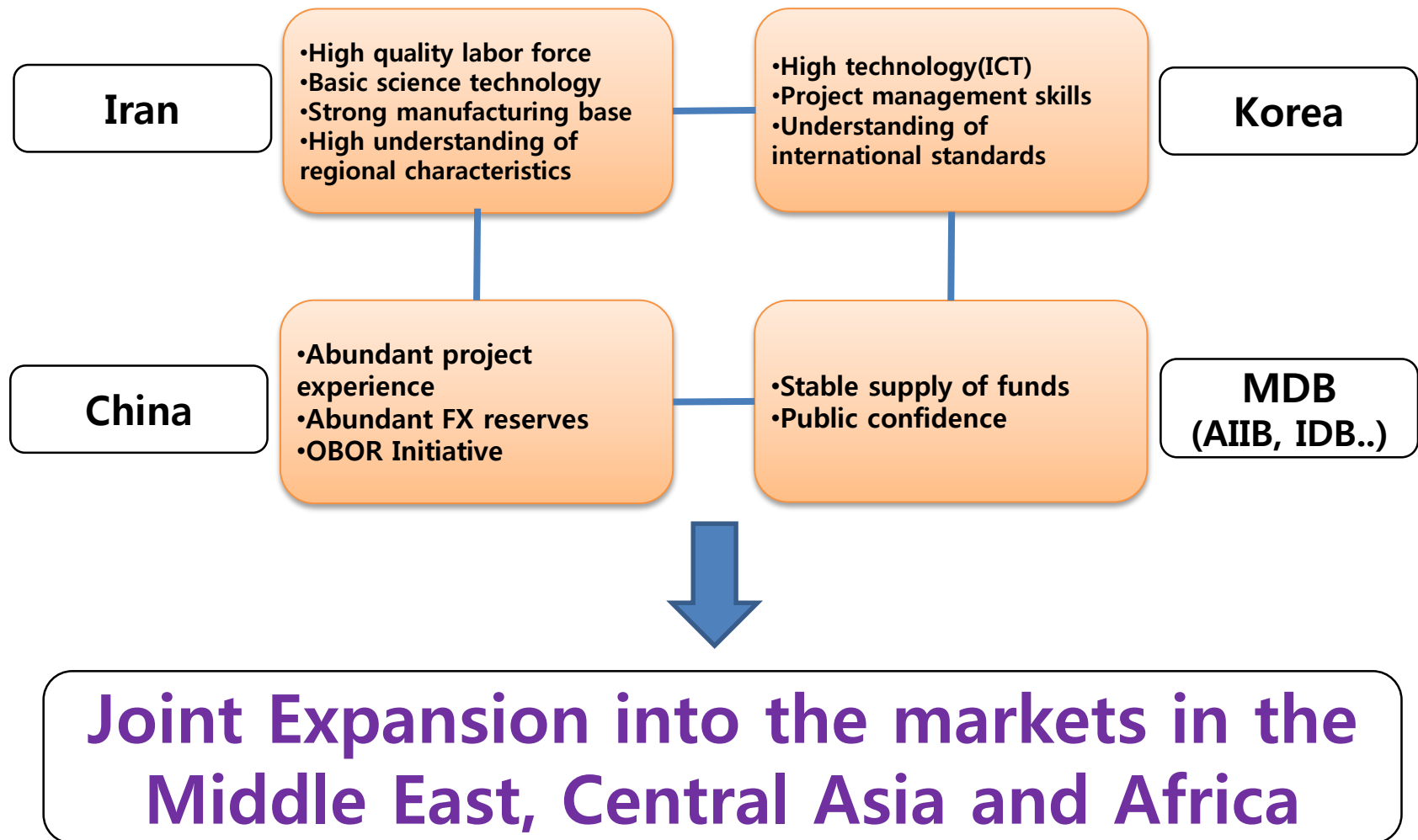
# Turkey Eurasia Tunnel(2011)



# Turkey Eurasia Tunnel(2011)



# Long-term Cooperation: Joint Expansion into 3<sup>rd</sup> Country Based on Comparative Advantage



# Thank you

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