

China's Strategy for Strengthening Global Influence and Implications for Korea

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I. Introduction

While major advanced countries such as the United States are pursuing a de-risking (decoupling) strategy with China, China is pursuing a strategy to strengthen its leadership while expanding its influence centered on the Global South.

Since joining the WTO, China's status in the global economy has expanded rapidly in hand with its rapid increase in trade and investment. The Xi Jinping government, which began during a period of expansion in China's economic influence, is working to strengthen China's global leadership and expand its influence in order to achieve the national goals of the "great revival of the Chinese nation" and "building a modern socialist powerhouse." This can be explained as a strategy to weaken

the global order centered on advanced countries such as the United States, and to change global norms and systems more favorable toward China.

Accordingly, China's strategy to strengthen its global influence is being pursued in various areas such as diplomacy, security, and culture as well as in economic fields such as trade, commerce, and finance. In addition, the Communist Party and government are actively and proactively exercising influence, utilizing their economic power in the form of massive funds, and using methods such as retaliation and coercion.

China's strategy to strengthen its global influence could deepen competition and conflict with major countries such as the United States, and could trigger conflicts over camp through

cooperation with some emerging countries, and as such Korea needs to prepare for increased external uncertainty.

II. China's Strategy to Strengthen Economic Influence

In order to strengthen its global influence in the trade and commerce sector, China is continuously implementing measures such as increasing trade/investment openness and upgrading its structure, strengthening the linkage between economic openness and security, promoting the Belt and Road Initiative (BRI), expanding regional economic cooperation measures such as FTAs, and participating in reorganization of the global trade order.

To support this, China is also promoting openness policies domestically by establishing platforms that can practically promote institutional openness, such as free trade pilot zones (FTZs) and free trade ports (FTPs). Additionally, it is strengthening industrial and

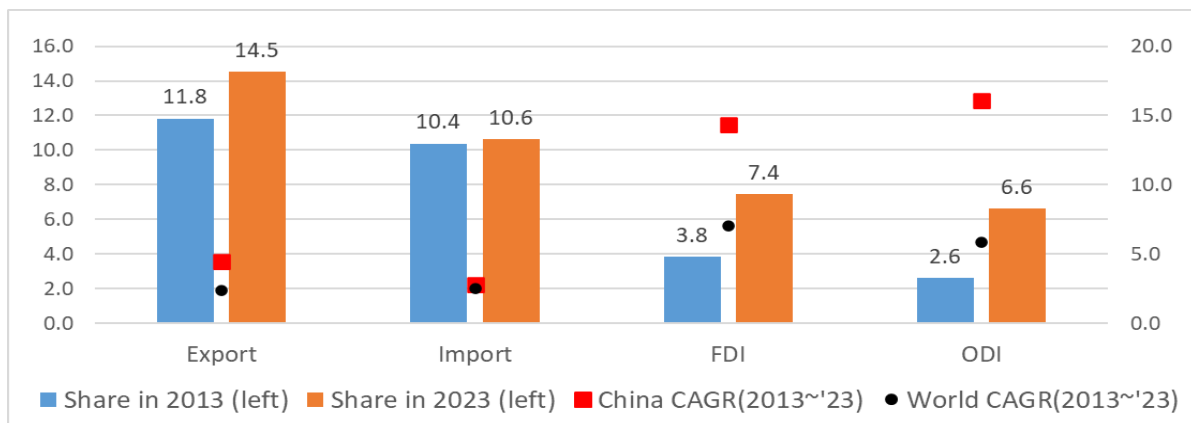
technological innovation policies in semiconductors, AI, bio, new energy vehicles, quantum information, brain science, and hydrogen-related technologies.

In addition, it is emphasizing standardization policies that can enhance the influence of such technological development, and in particular, it is improving the internationalization of Chinese standards and expanding standards cooperation with BRI partner countries.

Through these policies, China has grown from a major importer of intermediate goods to an exporter, increased trade/investment centered on BRI cooperation countries, and secured an advantage in the supply chain of resources and some goods.

However, China's core technologies still depend on overseas countries, and advanced countries such as the US have become wary of the BRI and China-centered supply chains, highlighting significant limitations.

Figure 1. Changes in China's Status in Global Trade and Investment (2013–2023)



Source: Author's analysis using data from IMF and UNCTAD

Considering the current US-China conflict and the spread of protectionism, the possibility cannot be ruled out that China may strengthen export regulations on products and resources where it has a supply chain advantage, while major countries will inevitably continue to respond and restrain this, so it is expected that competition in global industries, technologies, norms, and standards between China and advanced countries will continue to escalate.

In order to strengthen its global influence in the financial and monetary sectors, China established international multilateral development banks such as the New Development Bank (NDB) and the Asian Infrastructure Investment Bank (AIIB), strengthened its role in the reform of the international financial system, and actively promoted the internationalization of the yuan, participated in international financial standard activities centered on digital finance, and established a yuan-denominated crude oil futures trading market.

In particular, since the liberalization of the capital account, i.e. the opening of the capital/financial market, was necessary for the internationalization of the yuan, China launched a pilot project to allow capital transactions with the offshore yuan market in certain pilot regions, and expanded the use of the yuan centered around Hong Kong, utilizing Hong Kong to expand offshore yuan transactions. As a result, the yuan was successfully incorporated into the SDR in 2015. In addition, in order to internationalize the yuan and respond to

threats to the US financial system, it launched the Cross-Border Interbank Payment System (CIPS), a yuan international settlement system.

However, it will take a long time for the AIIB and NDB to play an alternative role to existing multilateral financial institutions such as the IMF and ADB in the international monetary and financial system, and the volume of yuan oil transactions also remains minimal. Given the Xi Jinping leadership's tendency to prioritize stability and security, we can expect for full liberalization of the capital account to be put on hold, while this is necessary for the internationalization of the yuan, and the possibility of the yuan replacing the dollar is slim.

However, considering China's trade volume and the expansion of trading partners, and the increase in the use of the yuan outside of the country, it is expected that yuan trade settlement will increase in the future. In addition, under the premise that the yuan's exchange rate remains stable and its convertibility into the dollar is guaranteed, there is also a possibility that the yuan will be used as an asset for foreign exchange reserves.

III. China's Strategy to Strengthen Influence in Diplomatic and Security Sectors

The Xi Jinping leadership is pursuing differentiated diplomatic strategies toward the

United States, neighboring countries, and developing countries, applying diplomatic pressure on Taiwan while strengthening China-led mini-lateral cooperation, and establishing a strong bilateral relationship with Russia, while pursuing stronger public diplomacy. This represents a differentiated diplomatic strategy in the sense that China works to maintain a stable relationship with the United States, a major power, and to be more active and systematic than before with neighboring countries and developing countries, especially designating developing countries as the Global South and emphasizing unity and cooperation. Just as when international condemnation broke out over the enactment of the Hong Kong Security Law and the issue was placed on the agenda of the UN Human Rights Council in 2019, unlike the Western world, Southeast Asia, the Middle East, and Africa took a supportive position toward China, resulting in international outcomes advantageous to its position.

However, this strategy also has the negative effect of increasing international resistance and anti-China sentiment toward China's government-led and political propaganda-based public diplomacy.

In terms of international development cooperation, China is expanding the supply of global public goods in the form of Chinese-style development cooperation by linking the BRI with development cooperation and promoting

South-South cooperation and triangular cooperation. The main recipients of China's aid are Africa and Asia, accounting for about 80% of the total. According to a survey of Global South leaders interacting with China, more than 76% responded that China is of great help and influence to their own economy.

However, China's development cooperation is also criticized for providing funds to authoritarian regimes, weakening democratic reform and proper governance that the international community has proposed as conditions for international aid. In addition, there is increasing criticism over so-called "debt trap diplomacy," in which China provides funds to countries that exceed their repayment capacity and seizes the infrastructure and resources of those countries. In addition, some Global South leaders are concerned that excessive dependence on and influence from China could be negative for their countries.

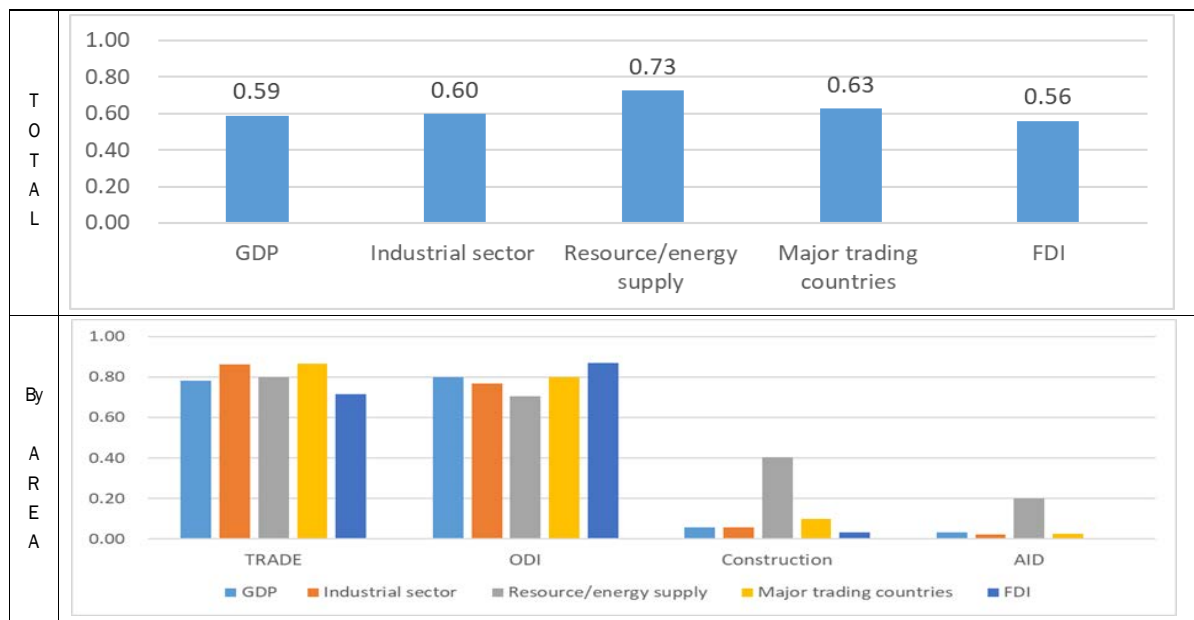
In this situation where positive and negative evaluations of China's development cooperation method are mixed, it is expected that China will continue to utilize its own methods of development cooperation to propose new rules related to poverty reduction, climate change, food security, and the digital economy, and to strengthen cooperation with the Global

South and the BRI while attempting to integrate Chinese aid with international standards (OECD DAC¹).

In the area of resource security, China is judged to have succeeded to some extent in preempting and securing an advantage in the supply chain of key strategic resources by strengthening the development and management of strategic resources such as rare earth minerals, export regulations, diversifying resource import lines, and ensuring the safety of transportation routes. This is proven by the fact that the US's dependence on China for resources required for cutting-edge industries such as semiconductors and electric vehicle

batteries is increasing, and many countries have formed an asymmetric dependence relationship with China in relation to resources. However, China is also suffering losses from overseas investment in resource development, and major countries are strengthening policies to reduce their dependence on China, making it difficult to secure a long-term comparative advantage in resource weaponization. Nevertheless, amid the US-China competition and the trend of containment against China, China can use these strategic resources as major leverage and a means of economic retaliation, which is likely to escalate the competition and friction between the US and China over key mineral resources. China can be expected to

Figure 2. Correlation between China's trade/investment and the characteristics of partner countries



Note: The characteristics of the reciprocal country are classified by GDP size, industrial share, resource/energy supply, trade size, and foreign investment size.

Source: Author's analysis using data from the IMF, UNCTAD, AidData and CEIC.

¹ International development cooperation is mainly promoted based on Official Development Assistance (ODA)

as stipulated by the OECD Development Assistance Committee (DAC).

strengthen its efforts to secure resources, while the US is expected to strengthen its supply chain reorganization policy.

IV. Implications for Korea

China's strategy to strengthen its global influence, which is being pursued under the US-China strategic competition, is expected to deepen the US-China competition and conflict between factions, while the functions of multilateral cooperation systems such as the WTO will continue to weaken. Accordingly, Korea should engage in stronger and differentiated economic, trade, and foreign policy and practical cooperation by country and region.

In addition, a strategy for the Global South must be formulated. One of the most significant characteristics of China's strategy to strengthen its global influence is the role of the BRI platform. The main target of BRI is the Global South, and its functions are continuously expanding to resource security, trade, commerce, finance, resources, and development cooperation, public diplomacy, digital, green, and supply chains. In response, the US and the EU have also begun to promote cooperation projects centered on infrastructure investment in the Global South.

On the other hand, Korea is yet to establish strong cooperative relationships with Global South countries, and remains limited in terms of capital capacity and unable to make inde-

pendent large-scale investments in these regions. Accordingly, Korea needs to strengthen its efforts to expand exchanges and cooperation with Global South countries, while seeking ways to participate in large-scale projects led by China and advanced countries in developing countries. In preparation for the competition in technology, standards, and norms between China and advanced countries, Korea needs to establish a strategic and stable support plan for improving its technological competitiveness and to promote international standardization activities among Korean companies. This is because China's standardization policy targets all products and processes, from traditional industries to advanced industries, services, agriculture, and various processes, and can be interpreted as a response to and preemption of future norm competition.

While supply chain stability is a major priority for the Korean economy, it also needs to continuously promote overseas resource development projects from a long-term perspective to secure its resource territory, focusing on countries with important resources. In particular, Korea needs to establish cooperation channels for mineral resources with prospective partners among Korea's ODA and FTA partner countries, and expand resource development cooperation with countries where Korean companies have already advanced into.

Of course, Korea also needs to strengthen cooperation with China, a major country in the

global supply chain, to stabilize its own supply chains. It will also need to seek ways to utilize

the mini-lateral cooperation platform that includes China. **KISP**

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